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'Place Prosperity vs People Prosperity' Revisited: An Old Issue with a New Angle

Roger Bolton

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Summary. 'Place prosperity vs people prosperity' is a familiar shorthand expression of various issues in designing national policies to assist persons and places that are economically depressed. The paper reviews some traditional issues, including those introduced by Louis Winnick, who coined the phrase in the title, and also introduces some new ones. It suggests that 'sense of place' is relevant to the policy debate, because sense of place is a factor in regional and local identity and is an important form of intangible capital that has positive externalities. The paper relies on principles of benefit–cost analysis, and it notes that a concern for the sense of place is consistent with some recent developments in economic theory, namely in the theory of household production and theories of 'fairness' and community values. It also includes an appreciation of the work of Ben Chinitz, whose emphasis on 'supply' in regional analysis is consistent with a respect for the sense of place and is also relevant to a discussion of 'place prosperity vs people prosperity'.

I. Introduction: The Influence of Ben Chinitz

My interest in the topic of place prosperity vs people prosperity owes much to previous contact with Ben Chinitz. In particular, I must acknowledge the influence firstly of his point that national economic welfare depends partly on the regional distribution of economic activity and, secondly, the influence of his emphasis on the 'supply side' in regional and urban modelling and analysis. The phrase 'place prosperity vs people prosperity' first appeared during debates on the relationship between regional welfare and national welfare. In revisiting the question which this raises I wish to explore how the concept of the 'sense of place' in regions and localities can illuminate the policy debate. In addition it turns out that the sense of place also has implications for the theoretical analysis of the supply side of regional activity.

During the 1960s Chinitz emphasised supply concepts like entrepreneurship, external economies and labour supply. Thus, for example, on the very first page of 'Contrasts in agglomeration' he wrote that regional economics needs new tools and that the new tools must be ones that handle the supply side (Chinitz, 1961, p. 279). Again, on the last page (p. 289) he wrote that while we still need better demand analysis tools, "we are not equating marginal returns in all directions if we do not, at the same time, push vigorously on the supply side of the problem". Chinitz's well-known paper entitled 'Appropriate goals' also goes into the supply side (Chinitz, 1966).

Chinitz also noted the implications of what observers of the regional modelling community later came to call the 'bottom-

Professor Roger Bolton is at the Department of Economics, Williams College, Fernald House, Williamstown, MA 01267, USA.

up' effect. By this it was meant that the national effect of a source of demand, or of new capital, depends not only on its total size in the nation but also on how it is allocated among regions. (This idea also appears in 'Appropriate goals', op. cit.)

My own work on regional econometric models began in collaboration with Chinitz in 1978, when the Congressional Research Service asked him to describe and critique operational multi-regional models, and he asked me to work with him. Although neither of us had a vested interest in an operational model or modelling strategy, Chinitz was always eager to probe whether some model could analyse adequately the supply side and the bottom-up effects. He had in mind infrastructure and excess capacity, as well as entrepreneurship, external economies and labour supply.

At that time, regional modelling was much more demand-oriented than it is today. This orientation stemmed from the dominant economic base and input–output approaches, and, in some ultimate sense, from the earlier dominance of Keynesian analysis in macro-economics generally; a dominance from which regional modelling was slower to escape than were theoretical and empirical macro-economics. As one would expect from his earlier papers Chinitz was anxious to escape from that dominance. I tried to follow his example in my work on single-region and multi-regional econometric models, and also note that other modellers have also made considerable progress in incorporating supply-side factors in their products.

In a very recent piece, 'Growth management: good for the town, bad for the nation?' (1990), Chinitz relies again on a similar line of thinking in concluding that local government 'growth management' policies, while they do raise some problems, nevertheless are largely additive and complementary rather than competing; in other words, that they are not zero-sum, but that collectively they contribute something positive to the nation's well-being.

My own recent thinking about regional economics has been influenced by ideas about the 'sense of place' as a factor in shaping and maintaining regional identity. Thus, I believe that the sense of place is a sense of community and co-operation that is shaped by a particular geographical setting, including natural and built environment, culture and past history. It is an important characteristic of a region or locality as far as the supply of factors is concerned, because it affects labour supply, entrepreneurship and the supply of public goods. The sense of place in localities and regions may also be an important determinant of national economic welfare, and if it is, it should be a concern of national policy. In this paper I hope to spell out the implications of a sense of place for both policy analysis and theory and, in particular, to spell out how recognition of the sense of place might affect our conclusions on the 'place prosperity vs people prosperity' question. I conclude that place policies have a larger role to play in regional policy than many economists have been willing to admit. Although Chinitz may not have directly shaped any of my present notions as such, I do not think they would have their present shape were it not for his direct influence.

The rest of the paper is organised as follows. Section II explains just what the phrase 'place prosperity vs people prosperity' has meant. Sections III–V are intellectual history. They are, respectively, brief summaries of the essay by Louis Winnick (who introduced the phrase in the first place), of the report of the President's Commission for a National Agenda for the Eighties, which gave it some prominence, and of Gordon Clark's reaction to the President's Commission. I have gone into Clark's opinions because I think they are an example of an important line of thinking, although it is not the line that I myself wish to take up. Section VI asks how, in the light of the intellectual history, one might at this point in time make any case for place policies. Section VII summarises my ideas about a sense of place, in order to set the stage for a policy discussion. Section VIII attempts to make a case for place policies, based on the 'publicness' of the sense of place and an appeal to standard welfare economics, and it also admits some practical difficulties in designing such policies. Sections IX and X are about two related topics in economic theory; Section IX is on the implications of a sense of place for the analysis of 'household production', and Section X points out that the earlier ideas in the paper are consistent with recent broad theoretical arguments of Hirschman, Sen and others. Section XI concludes the paper.

II. 'Place Prosperity vs People Prosperity'

Twenty-five years ago Louis Winnick wrote a paper, which eventually became famous, entitled 'Place prosperity vs people prosperity: welfare considerations in the geographic redistribution of economic activity' (Winnick, 1966). As far as I know, Winnick was the first to use the phrase 'place prosperity vs people prosperity'. It became a familiar shorthand expression of an important issue in designing national government economic policies to assist individuals, places and regions that are economically depressed.

The phrase suggests a conflict between two ideals or possible goals of policy. The conflict is between the ideal of improving the welfare of deserving people as individuals, *regardless of where they live*, and the ideal of improving the welfare of *groups* of deserving people defined by their spatial proximity in 'places'. In this connection, 'place' can refer to any group of people, from a small town to an urban neighbourhood, or from a county to a metropolitan area, to a region of several states. The context of the debate is a 'declining' or 'depressed' place, not a prosperous and growing one; 'place prosperity vs people prosperity' is almost never raised as an issue in designing policies to deal with rapidly growing places.

The conflict in ideals implies a corresponding conflict of practical government policies. To put it simply, the opposition is between these two clusters of policies: on the one hand, direct transfer payments to individuals or subsidies to encourage them to move out of declining regions; on the other hand, expenditures to increase infrastructure and private capital in particular places, such as grants to local governments and business, and education and worker training that are oriented toward the place's existing comparative advantage.

Today we remember Winnick for the evocative phrase he chose to encapsulate the issues, but at the time he merely applied in the regional context some general arguments many of his readers were already familiar with, if only because they had heard the arguments repeatedly in debates over farm policy and trade protection. Someone else could have (and may well have) written a paper entitled 'Farm prosperity vs farmer prosperity', or 'Industry prosperity vs worker prosperity', and made similar arguments. In all these cases, one can criticise group-specific policies on the grounds that they are ineffective in redistributing income and also introduce inefficiencies in the national economy.

Laymen often describe the choice as between 'bringing jobs to people' and 'bringing people to jobs', but that is too narrow a way to look at it, because it ignores the important effects of either kind of policy on people who are not in the labour force. The phrase 'place prosperity vs people prosperity' is more a part of the lexicon of regional and urban economists and geographers, although it also shows up in government policy reports. The phrase certainly has come to be used widely in academic circles, often by people who either forget or never knew its origin. It was given some prominence in Edgar Hoover's textbook on regional economics (Hoover, 1971; Hoover and Giarratani, 1984). (See also Whitman, 1972, for comments stimulated by Hoover's discussion.)

In 1980 it became even better known when the President's Commission for a National Agenda for the Eighties used it in one of its reports (President's Commission, 1980).

If the opposition is a valid one, it implies practical conflict and political conflict. It implies that it is hard to aid persons efficiently if one makes the aid conditional on the persons continuing to live in the region that is declining. Either such aid has very little effect in transferring real income, or it introduces inefficiencies that impose a high net cost on the larger society. Winnick and others thought both these things were true.

I wish to revisit the issue with the benefit of some of my own thinking on the 'sense of place' in localities. The paper is a result of my curiosity as to whether one can justify some place-specific policies on the grounds that they help preserve a sense of community in places where it already exists. To anticipate the later discussion, I believe the sense of place is a sense of community in a specific geographical setting, and that it represents valuable capital. We can count on local governments to make an effort to preserve a sense of place; the relevant issue for state and national governments, however, is whether the sense of place in localities is of value to the larger region and to the nation. Or, more precisely, is it of sufficient value that higher governments should use place-specific policies, rather than people-prosperity policies?

Most of the academic discussion of the issues has been in the context of national government policy; certainly that was the context of the report of the President's Commission (1980). But the issues are also important at the level of regional governments, such as state governments in the US.

III. Winnick's Essay

It is short, well-argued and convincing. Anyone concerned with regional policy should not only cite it but read it. I will try to summarise the most important arguments. (All quotations in this section are from Winnick, 1966.)

First, the focus was on redistributive activity, as the title shows. Winnick said we should accept readily that if a policy attracts economic activity to particular places it almost certainly does it at the expense of other places. He drew his examples primarily from policies on urban renewal, housing subsidies, industry subsidies and infrastructure investment. Houses built in one place are at the expense of houses in another. A highway between A and B is at the expense of one between C and D. But he intended the conclusions to be general. Nor did he think the conclusion changes if the economy has excess capacity:

> Even in an economy with an appreciable margin of unemployed resources, an induced shift of economic opportunities is more likely to be reflected in a redistribution of, rather than an increase in, aggregate employment. (p. 275)

Furthermore, the losers are often just as unfortunate as the winners. He suggests as a contemporary example the probability that helping depressed Appalachia will primarily pull resources from declining towns in New England and upstate New York (p. 279).

Secondly, Winnick explained why place policies are ineffective at redistribution—"at best ... clumsy, expensive, and often inequitable devices" (p. 280). The assistance cannot be effectively targeted. Too much of it goes to the wrong people; the unemployed are often not the main beneficiaries; in a refrain that he could have supported with standard curve-drawing (but did not), he pointed to owners of immobile resources other than labour, to in-migrants, etc. as the primary beneficiaries. Despite some benefits to the unemployed, partly through the expanded tax base,

> the fact remains that the incremental income occasioned by planned interven-

tion is subject to considerable leakage and flows as readily into the pockets of the least needful as into the pockets of the most needful. (p. 280)

This emphasis on the relative inefficiency of place policies, *even as redistributive devices*, was critical, for it meant that one is relieved from awkward trade-offs between efficiency and equity. (I note in passing that the question of who benefits from place-specific demand shocks is not completely resolved; see, for example, Marston (1985) and Bartik (1991) for recent work on the subject.)

Thirdly, Winnick recognised the strong political forces behind place policies in the US political system—a system whose legislators represent geographical areas *de facto* and not only *de jure*. He accepted the inevitability of federal place-oriented policies. "Policies directed toward people rather than places are no doubt the right medicine, but they work too slowly" (p. 281). Place policies are inevitable; what we need to do is avoid overselling them, calculate their costs more accurately, and try to curb their worst excesses.

Fourthly, Winnick recognised the critical importance of the local public sector. While the market and the federal government might abandon a community, the local government cannot; as long as some people cannot or will not leave, local government will not leave either: it must remain, struggling with a declining tax base to serve essential needs.

Finally, Winnick said, in one sense the federal government intervenes not too much, but too little. It gives to some and takes away from others, but does not compensate the latter. Compensation would draw more attention to the inevitably redistributive nature of place policies and would make the full costs more visible.

It is noteworthy, I think, that Winnick did not emphasise some traditional efficiency arguments against place policies. To repeat, he took them for granted. But in the writings of others, especially in the analysis of trade protection, we find the details on price distortions, artificial survival of high-cost firms due to their protection from competition, artificial survival of high-cost governments due to their protection from competition in the market for population, etc.

Later, Edel (1980) elaborated some of Winnick's notions, and he referred specifically to an "ecological fallacy" in the design of place policies: policymakers erroneously ascribe to all individuals in a place the average characteristics of the place, and thus fail to target aid to the most needy individuals. He also referred to "capitalization" in describing the flow of benefits to owners, probably not needy, of fixed resources.

In closing this section, I must note that at the time not everyone shared Winnick's pessimism on the effectiveness of national policies. The pessimism seemed most warranted in the case of demand policies, for demand rapidly leaks out of 'open' regions. Against that, however, one could argue that other policies, which focus much more on indigenous supply of productive inputs, might be effective. Many advocated supply policies as part of a concerted national effort to improve the trade-off between unemployment and inflation in the macro economy. As shown by his words in the first point of the above summary, Winnick himself did not find such arguments very credible.[1]

IV. The President's Commission

In 1980 the President's Commission for a National Agenda for the Eighties delivered a series of reports, one of which was *Urban America in the Eighties*. As far as urban and regional policy are concerned, the Commission got more notice than one might expect, for several reasons.

(1) Its conclusions seemed surprising to some given that the Carter administration had set up the Commission.
(2) It actually used the phrase 'place pros-

perity vs people prosperity' and came down strongly against a wide array of existing federal place-oriented policies. (It seems not to have credited Winnick, however, or Hoover, and cites neither author in its bibliography.)

(3) In urging that the federal government turn over leadership to states and localities, the report presaged some of the New Federalism initiatives of the next administration.

The Commission noted that the issue had been salient for two decades, and that historically a place orientation in federal urban policy was unavoidable given the US political system. It remarked on the tendency of Congress to dilute the effectiveness of initiatives by spreading small budgets across many localities. Here the Commission added somewhat to Winnick's discussion of targeting:

> Federal policies that marry a place orientation with a formula allocative mechanism almost dictate that funds will be diluted to the disadvantage of the most distressed people and the most distressed places. Funds end up being available to people and places that have relatively less need. The moral authority undergirding national goals can often become eclipsed by more localized agendas. (p. 76)

The language is evocative:

> The federal government should concentrate its efforts on maintaining the most robust national economy possible. It should take the initiative ... to view the nation as a unified whole rather than as a mosaic of interregional and intrametropolitan conflicts in need of federal legislation. It should assist transforming localities in their often painful growth or shrinkage to achieve new balances between employment and population ... our national responses ... should evolve —from a largely place-oriented, locationally sensitive, national urban policy, to more people-oriented, locationally neutral, national economic and social policies. (p. 82)

V. Gordon Clark's Criticisms of the Commission

Gordon Clark was a leading critic of the Commission (Clark, 1983). He criticised its emphasis on 'adjustment' and migration, and attempted to develop sound arguments that would favour place policies.

His critique of the Commission was part of a much larger project to attack existing national government economic policies on places and regions, and also to attack the principles of welfare economics as most economists interpreted them. Therefore, my discussion of his views, in the more limited context of this paper, inevitably does him less than full justice. His larger vision, however, was not accompanied by much concreteness on policy proposals. While I agree with some of the implications of his analysis for the evaluation of place policies, I prefer to support them with the principles of welfare economics rather than a dramatic departure from them.

Clark seemed to believe that place policies can be effective in redistribution, and he certainly believed that a leading alternative, forcing migration, is not as effective a mechanism as the Commission thought. Most important for my present purposes, however, he argued that place and community in places are important *national* values.

> Place and community remain, for many people, important social values that presume the necessity for a specific context in which personal interaction should take place ... Mobility is a threat to the possibility of a viable social and political community ... continual mobility implies personal alienation from the immediate community. (pp. 3–4)

Clark, although he used the phrase "place versus people prosperity", did not cite Winnick. He attacked the Commission more for its emphasis on efficiency than for its implicit acceptance of Winnick's pessimism on the possibility of effective targeting. He advanced "community integrity" as an important goal of society (pp. 139, 147–148, 156, 164), and justified that goal by saying that community integrity is both an end in itself and a means to the social goal of free choice: "... it is a means to an end, enabling people to live where they desire ... Clearly, community integrity is as often a means as an end" (pp. 156–157). The precise definition of "community integrity" is not very clear, but it seems to require something more than simply maintaining the population level the community had before adversity struck.

Clark's criticisms of prevailing political attitudes were on a philosophical plane. (See, for example, his description of Dworkin's "equality of resources" principle and the application of an "envy principle" (pp. 157 ff.).) His preferred society would require sweeping changes in the role of government and a sharply reduced inequality of income. Thus, it is hard to know just what specific packages of policies he would support were he forced to confine himself to evaluating, as many would want to do, less sweeping changes in the present system.

It is important to see that Clark did not oppose migration *per se*. Rather, he opposed policies that *force* people to migrate by putting them into situations where they have no real choice but to move. Individuals are forced into a situation where they have no effective choice if governments will not or cannot provide them a living standard that makes remaining in a depressed place a viable option. Local governments value community integrity highly and attempt to provide such income support, but local governments are constrained by their own incomes. The national government, then, is the one that effectively decides whether or not to supplement income sufficiently to permit residents to exercise free choice. The federal government in the US, however, supports income only at a very low level; even if one grants that it supports basic needs, that is not sufficient to give people a genuinely free choice on migration. People are reduced to choosing between a minimum standard of living in their previous place and a much more adequate standard in another place they can move to. That, to Clark, was not a real choice.

To reinforce the point that migration *per se* is not the problem, Clark hastened to add:

> Community integrity, whatever the philosophical and empirical rationales, cannot be the overriding goal of public policy. Social justice cannot be held hostage of exclusive utopian visions of community resilience ... community integrity cannot be bought by restricting the choices of their residents, however indirectly conceived ... Balkanizing poverty ... is no solution to the needs of social justice and equality. (p. 157)

There is some level of income support, then, that would make the choice to migrate a genuinely free choice. How much income that would be, Clark did not say, remaining on a philosophical plane. Nor was he very specific on the instruments of national government policy. While he referred favourably to policies for bringing jobs to people, his overall goals seem to require substantial changes in transfers as well: they need to be bigger and to last longer.

Later, I shall elaborate the regional and national importance of community in local places. Like Clark, I believe one can and should put the question in terms of the value of 'community'. Community is an essential aspect of what I call the 'sense of place'. But in other respects, my perspective is different. My arguments rest much more on principles of policy analysis that are more widely accepted by economists. I shall rely on economic analysis drawing explicitly on the concepts of capital, investment, externalities and public goods. For that reason, I hope, my arguments will be more relevant to the practical debate on policy and, frankly, I hope to be more convincing to those who might otherwise be extremely critical of place policies. My approach also has the advantage, I think, of distinguishing state and federal government roles.

VI. How Might One Make a Case for Place Policies? Some Openings from Welfare Economics

It appears one can make a case for place policies only by resorting to one or more of the following lines of argument.

(1) Challenge the conclusion that place policies cause great inefficiency. One must keep in mind second-best arguments here; place policies are not introduced as the sole imperfections in a smoothly-functioning, competitive economy.
(2) Argue that place policies are actually necessary for efficiency, because there are place-specific market imperfections or externalities that make it desirable to intervene with place-specific policies. One might rely substantially on 'second-best' arguments here, too.
(3) Challenge the conclusion that place policies are not effective in redistributing income to individuals. If they are effective as redistribution, there is a positive achievement to offset against losses in efficiency. If in addition one can successfully argue (1) or (2) above, then, of course, this third argument has all the more force.

In this paper, I cannot review all the arguments and counter-arguments under each of the three headings. I will confine myself to some positive arguments for place policies falling primarily under (2) above (place policies necessary for efficiency), although one of the arguments also falls under (3) above (place policies ineffective for redistribution of income to individuals). I will leave a full discussion of other aspects to another paper.

Capital is critical in all the arguments. From early on, one argument for place policies has been a second-best argument based on the market imperfection of downward rigid wages in declining regions (Borts and Stein, 1964, p. 199; Bolton, 1971). Rigid wages overstate the true opportunity cost of utilising human capital in the region. There are other arguments suggesting that market forces also fail to economise sufficiently on physical capital. If governments and utilities use average-cost pricing, and if marginal cost is below average cost in the declining region, then marginal cost will be lower than price. In expanding regions, on the other hand, marginal social cost is equal to or perhaps even above price. Thus, here is another reason why market costs are higher than opportunity costs in the depressed area. Both these arguments are about the utilisation of capital.

While the disadvantage theoretically is only a 'short-run' one, the short run is very long for infrastructure: the social marginal cost of utilising existing assets may be below the social marginal cost of adding new assets elsewhere for several decades. If so, society should not abandon infrastructure until it is reasonably certain that the depressed area will not recover, and even then it should stretch the abandonment out over an extended period of time.

In this paper, however, I want to concentrate more on other kinds of social capital, rather than schools, roads, water supply, sewerage and utilities. In some established places there is a sense of community. This sense of community is also capital. It is intangible, and regional economists do not talk much about it, but it *is* capital; it is productive, and residents of a place that has a strong sense of place certainly know it and appreciate it. Their appreciation of it is evidenced by the one bit of evidence that ought to make economists notice: people are willing to pay for it.

Residents in places that have a well-developed sense of community have their own preferences and their own mechanisms—public as well as private—for investing in the creation and maintenance of a sense of place (Bolton, 1989). The social capital is productive and it has local public-goods aspects. The critical question for state and national policy is whether the 'publicness' extends over a wider range of space than the community itself.

The specific questions that this perspective raises are these.

(1) How valuable is the social capital in places for the larger region, and for the nation? Should and do people in Boston care whether a strong sense of place exists in other towns and cities in Massachusetts? Should they and do they care that a strong sense of place exists in places in the Plains, or Appalachia, or Wisconsin?
(2) If the sense of place is a valuable social asset for the larger region and nation, what are the appropriate roles of state and national governments? Is the value sufficiently high to justify government action? Are there appropriate policy instruments?
(3) Does reliance on people-prosperity policies, to the exclusion of place policies, allow the social capital to erode at a rate that is too rapid for the region/nation? While one might presume that out-migration erodes the sense of place, that is not so bad if migrants can create an equally valuable sense of place, at relatively low cost, in their new locations. If that is so, one might argue that the optimum provision of the sense of place is a matter for local governments, but not for higher ones; the latter should encourage migration without worry that migration causes a net loss of the sense of place in the nation as a whole.

These questions are important and neglected aspects of the 'place prosperity vs people prosperity' debate. They have been neglected, chiefly on account of the reluctance of economists to deal with extremely intangible social phenomena, even ones that, by the ready admission of almost everyone who ponders the problem, are 'real' and 'important'. Recently, however, we see an effort by economists, especially environmental economists, to deal with intangible phenomena in environmental issues, and it is possible that regional economists and geographers will move on to attempt to quantify—that is, estimate the willingness to pay for—something as intangible as the value of established communities.

VII. The Sense of Place

> If households can affect the environment in which they live, they will substitute toward those aspects which enhance productivity. (Michael and Becker, 1973, p. 393)

In earlier papers (Bolton, 1987, 1988, 1989), I attempted to give an economic interpretation of a 'sense of place', a concept widely used by geographers, architects and planners. It refers to a complex of intangible characteristics of a place that make it attractive to actual and potential residents and influence their behaviour in observable ways. Both the 'setting' of the place and the social interactions of the community are important, and setting includes natural, cultural and historical characteristics. This section summarises quickly some of the basic theory, and is based on Bolton (1989).

The sense of place is an intangible, location-specific asset; it is capital. That has two implications: one can identify behaviour that is the investment that creates a sense of place; and one can identify returns to the asset.

The investment behaviour consists in part of self-imposed limitations on behaviour in markets—such as limitations on search and on exploitation of monopoly power—and commitments of time—such as in volunteer activity—that are costly to individuals but help create and maintain the sense of place. Broadly speaking, the limitations are on the pursuit of short-run self-interest, including free-riding. There is a mixture of long-run self-interest and altruism in these private investments. The limitations express loyalty to local sellers and buyers. (Buyers include employers and sellers include workers, but they are not the only relevant buyers and sellers.) Buyers and sellers do this because they must encounter each other in other interactions outside the market, and restraint in market dealing contributes to a sense of satisfaction in those other interactions.

In addition to self-restraint in market dealings, there are also public investments, such as in historic preservation and landscape protection. There are also public investments in growth management, which a community may recognise as having very high opportunity costs but which it also perceives as having benefits in terms of protecting continuity and a traditional pattern of interpersonal interactions. As Chinitz and others have observed, these policies raise their own problems of efficiency and equity, and many economists dismiss them as a subset of rent-seeking —rent protection, we might say. But we miss a point if we fail to see them as motivated—in part, if not in whole, and often, if not always—by the desire to protect a sense of place. Regional scientists' understanding and appreciation of this motive will help us relate more closely to practical planning.

Finally, there are public investments in local economic development; unlike growth management, they are especially important in declining or stagnant places. Again, we must understand that they are motivated at times by a felt need to attract new stable employment opportunities and tax bases, which are essential to prevent the out-migration that would destroy the sense of place. And again, a recognition of these motivations connects us more firmly to real-world planning practice. (For useful reflections on these motivations and the implications for regional science, see Jensen, 1991.)

The sense of place in a locality is undoubtedly an agglomeration of senses of place in smaller social units, including workplaces, retail establishments, non-profit organisations, etc.[2] And, going in the opposite direction in the hierarchy of places, even a large region can have a genuine sense of place as an agglomeration of senses of place in smaller localities and sub-regions. This agglomeration effect can operate even if it is only in the localities where intense and frequent social interactions take place. New England, in other words, can have a genuine sense of place if many of its cities and towns have it, even though people in one locality do not have frequent contact with people in another. Thus, one of the oldest distinctive notions in urban and regional economics, agglomeration, is relevant.

The returns to the sense-of-place asset are a general measure of security—security of stable expectations, and security of being able to operate in a familiar environment and to trust other citizens, merchants, workers, etc. (See Tuan (1977, p. 3): "Place is security . . .") There is also a basic feeling of pleasure at living in a community, or knowing that others live in such a community, that has been created by a combination of social interactions in a particular setting. A sense of place has the characteristics of a local public good, in that some of the returns are external to the persons who made the sacrifices of investment.

Conceptually, one can measure the sense of place from a zero point which is a situation of unrestrained market dealing and free riding, but without actual malevolence. One can imagine a negative sense of place, where people restrain their market dealing strictly out of malevolence and make investments in doing harm to others. Although that possibility is of considerable importance theoretically, I do not think it is of much practical concern in the present context of policy analysis. I assume sense of place is like favourable climate, in that preferences are distributed in the population such that it commands a positive price in equilibrium. But like climate, a sense of place is multi-dimensional, and one dimension in particular— the loss of anonymity—may have negative value for many people. Thus, as the bulk of the population creates a sense of place, some people may suffer losses and eventually leave, as part of the process of reaching the equilibrium.

It would be very fruitful to apply the 'household production model', commonly associated with the names of Becker, Stigler and Michael, to analyse people's behaviour in creating a sense of place (Becker, 1965; Michael and Becker, 1973; Stigler and Becker, 1977). Households make investments in place-making, voluntarily and with a view to the long-run returns, because—in the language of the quotation at the beginning of this section—doing so improves their environment in a way that enhances productivity. Productivity, of course, must be broadly conceived to include intangible effects. I return briefly to the household production approach below. (See Jakle, 1987, for a different approach.)

There is a good deal of empirical work in economics on the returns to intangible assets, under the theory that the returns will show up as compensating interregional wage and rent differences. (See Blomquist *et al.*, 1988, for an example and references; see also Levin and Stover, 1989.) Although some work is specific and quantitative on the geographical 'setting', it focuses very much on variables capturing climate, local government budgets and social phenomena like crime. Those variables do not appear to be good proxies for something like 'community'. Furthermore, little attention is paid in the economic research to the landscape and historical 'setting' that geographers and scholars in other disciplines have in mind when they discuss a sense of place. Even when economists have considered 'setting', then, they have not really come up with suitable proxies for a sense of place.

Will adding the sense of place to economic analysis have a high payoff? Will quantifying it add anything significant, either theoretically or empirically, to an analysis that would otherwise omit it? Or, to put it differently, does omitting the sense of place introduce specification error in the testing of our theories? I think so.

Economists have seldom dealt explicitly with a sense of place—largely, I think, because it is so intangible and difficult to measure (see Bolton, 1989, for more on this, including a distinction between tangibility and measurability; see also Seamon, 1984, p. 170). One of the few examples is Jerome Rothenberg, who referred to "neighborhood adjustment capital" which is destroyed in urban renewal; he included the "configuration of social interaction, extending from particular specialized relationships through deep friendships", and he explicitly referred to "investments in knowledge and decision-making" (1967, p. 147).

In my own 1971 paper, which was on the narrow policy issue of defence-contract preferences for labour-surplus areas, I raised—but in no way answered—the question whether this kind of 'adjustment capital' might be destroyed too rapidly, from the point of view of a larger regional or national society, when depressed areas declined (Bolton, 1971, p. 143). Some of the origins of this present paper lie in that 1971 paper. (For discussions of regional policy that were insufficiently informed of the sense of place, see Bolton, 1978, 1982.)

VIII. The 'Publicness' of the Sense of Place

As indicated earlier, the crucial question is whether the sense of place has value to people in *other places*. Does the 'publicness' of the sense of place extend beyond the boundaries of the place?

There are a number of reasons why it might do so.

A. Option Value

Assume people in A have a strong sense of place, and people in B (hereafter, 'Bs') value, and are willing to pay for, the preservation of the sense of place in A because they want the option to move to A. If the Bs themselves value a sense of place, and if they put some probability on moving to A later, there is an option value. Even if the Bs do not now value a sense of place, there is an option value if they think their situation and/or preferences might change later, such that they will value the sense of place then.

The possibility that the Bs recognise that their situation and/or preferences may change later in life deserves further comment. Even the most orthodox economic theory takes into account persons' forecasts of changes in income or relative prices, which will lead them to change their configuration of household production and consumption activities. But one should go further and recognise that people may ponder the possibility of a change in their preferences. Although the dominant view regards with suspicion any model in which preferences change, there is a growing movement to encompass preference change in economic theory. Hirschman, for example, in urging economists not to accept the *de gustibus non est disputandum* ("There is no disputing about tastes") principle in all cases, argues for a distinction between preferences narrowly defined and 'values', and counters with "de valoribus *est* disputandum" (Hirschman, 1984, emphasis in original; Hirschman is commenting on Stigler and Becker, 1977).

If the Bs are uncertain where they will want to live later in life, they will put an option value on preserving a sense of place in a variety of other locations. Whether or not that translates into a willingness to pay to protect the sense of place in one specific place, A, depends on their situation and on the nature of A. But the point is that the Bs may well be willing to support some generalised place policies.

It is interesting to note the several roles of migration in this respect. Migration is frequent and contributes to national efficiency and, at the national level, government needs to be careful that it does not inhibit migration too much. But out-migration erodes the sense of place, and as an act of the individual it produces negative externalities. Finally, the very frequency of migration makes individuals care what kinds of places will be available for them to move to, and they will value the option of moving to certain kinds of places.

B. Pure Existence Value

From environmental applications (Krutilla, 1967; Loomis and Walsh, 1986), we are familiar with the legitimacy of a pure existence value of A to people in B, even if the latter see no possibility of moving to A. The Bs simply prefer that A exists to its not existing. Again, this may be true whether or not the Bs themselves have a strong sense of place. If they do, then the Bs prefer the continued existence of communities with characteristics like their own. If they do not, they may nevertheless value the existence of A as a matter of regional or national diversity.

One must not apologise for insisting that there are pure existence values. They—well, they exist. Preferences are highly individual things, wonderfully varied. As long as the preference does not conflict with broader national goals—as a preference for racial discrimination does—there is no reason to reject the validity of such preferences for endangered species of wildlife or for a particular kind of architecture, or for a sense of place.

However, while one cannot reject them out of hand, one cannot simply assert them either, without some empirical evidence. It is natural to look for preferences revealed in market behaviour, but it is difficult to capture a sense of place in empirical proxies that one can put into a regression equation to explain migration or wage rates or housing prices. One might resort to contingent valuation methods—although they have their own problems. An alternative might be to analyse the pattern of charitable donations, and the activities of organisations that compete successfully for charitable giving.

In both the option value and the existence value cases, one suspects the value declines with distance from the place. That suggests that it is easier to justify state government policies to preserve existing places than national government policies. That is an extremely important implication. Economies of agglomeration, which I mentioned earlier, probably apply mostly to the pure existence value and presumably they are attenuated by distance.

C. *Donor Preferences*

I turn now to an argument that rests on both equity and efficiency considerations. Assume that a pure equity motive results in government assistance to *individuals* in declining places. Taxpayers in other places support such assistance, for the same reasons that they donate money to private charities to assist people in unfortunate circumstances. So far, the assumption justifies only people-prosperity policies. Now, add the assumption that the taxpayers also care about the recipients' consumption patterns, that is they value some consumption patterns more than others. This phenomenon of donor preferences is a familiar one, and is a frequent explanation of tied donations and of typical housing and health policies. The final step is to assume that donors put a positive value on the recipients continuing to consume in their (the recipients') existing place, and on their enjoying the benefits of an ongoing community. If that is the case, then the donors will prefer assistance tied to places. This is so, even though the ultimate goal of the donations is the welfare of individuals.

It may seem difficult to distinguish this argument from the immediately preceding one about existence value, but I think there is a difference. Donor preference supports assistance to individuals, tied effectively to their remaining in the place, but does not support unconditional grants to local governments. The arguments about existence value (and also about option value), on the other hand, justify general support to local governments as long as they spend the money in any way that increases the survival value of the place.

There are, however, difficulties in applying any of these three rationales for place policies. First, governments are unlikely to subsidise an existing place just because it exists, is in an interesting 'setting', and has a lot of residents who would rather not move and will cheerfully stay if they are subsidised. State and federal funds will be limited, and no policy can be effective unless it rests on some clear way to rank places. Without hard choices, funds will be diluted, and the fact that government funds have been diluted in the past is a major reason for the pessimism about place policies.

Nor will, or should, the age of the place be an important criterion. A sense of place is capital, and maybe age increases productivity, but surely age has a sharply diminishing marginal effect. Who would say that a 200-year-old town has a better claim than a 50-year-old town, all other things being equal? Or that Vermont, positively ancient, has a better claim than Arizona?

One possible principle in allocating scarce funds is reminiscent of the growth pole idea. If many places in a large region are declining, as is happening now in the Great Plains, for example, then it may be necessary to select some small number of the communities as a representative group to support. This will no doubt present serious ethical and political problems for any government, perhaps even more for state governments than for the federal government, but it seems a better policy than either allowing market forces to wipe out every place or trying to maintain all of them.

It goes without saying that the sense of place may conflict with other public values. A local population that has a strong sense of place may also have other preferences that are undesirable from the point of view of the larger society. A neighbourhood that has a strong sense of community may, for example, also discriminate against outsiders or some members of the community in undesirable ways. If the discrimination is racial discrimination, or other kinds that are unacceptable to the state or nation, then certainly the state or nation should not help to maintain the sense of place when it is threatened by economic decline, unless it can make its assistance conditional on elimination of the discrimination.

Certainly, it will be a challenge to policy analysis to identify just what constitutes a sense of place, in the value scheme of the larger society, and it will be a challenge to governments to apply any scheme.

IX. Household Production

Some fruitful work on the sense of place can be done with the household production model (Becker, 1965; Michael and Becker, 1973). The model is an example of new tools in regional science—it is a nice blend of abstract economic theory with practical concerns for what families do every day, in real places, and what real planners in real places worry about.

The household production model describes the economic behaviour within the household as that of production and consumption simultaneously. A great deal of the production that augments the income of the household takes place in the household itself. It 'earns' income by producing within its own boundaries—boundaries which are not defined spatially but are defined by interpersonal social relationships and reciprocal moral obligations.

The household consumes various goods. It buys some market goods and consumes them directly; it consumes the services of some public goods made available by governments or by other households and firms; it consumes goods that it produces itself by using market goods and public goods and its own labour as inputs. The household uses market goods both as final consumer goods and as inputs into household production. The same is true of public goods. The role of public goods as inputs into household production, while implicit for a long time, has received more attention lately due to the work of environmental economists (Smith, 1989). They have emphasised, for example, the importance of air and water quality and amenities as inputs into the household production of health and of recreation and, in fact, of things in general. Indeed, there are not many consumer goods and services of any kind that do not rely importantly on household production with public goods as inputs.

Environmental economists refer, for example, to 'defensive activity', which is expenditure or effort by the household to compensate for the decline in the productivity of the environment or of public goods. Some research attempts to infer, from the observed level of defensive activity, the household's marginal valuation of health or recreation or the like. The travel-cost method of estimating recreation benefits is one example: lacking certain opportunities near home, the household travels to other sites, using a variety of goods and its own time in the process, and the analyst infers from travel behaviour the household's valuation of recreation (Smith, 1989).

Now, how can household production help us understand the sense of place? The sense of place is a final consumer good —households simply enjoy being where there is a strong sense of place—but it is also an input into household production of a whole range of other consumer goods, including a sense of security, education, recreation, cultural services and socialising with friends. But that is not the end of the story: we must move beyond consumption to recognise that household production not only *uses* the sense of place but also helps to *create* it. Household behaviour is central: households produce the sense of place. I refer again to the quote from Michael and Becker. This dual role of the sense of place in household production makes it interesting, but also challenging, to analyse, and it provides an important link between policy analysis and more abstract theory.

X. Some Related Themes in Other Areas of Economics

Attention to community building is still not common in mainstream economic theory, but recently some economists have shown interest in related phenomena. Their work may be described broadly, to use a phrase of Albert Hirschman's, as "against parsimony" (Hirschman, 1984). In his seminal article on "rational fools", Amartya Sen argued that "traditional theory has *too little* structure" (Sen, 1977, p. 335; emphasis in original), because it tries to make a single all-purpose preference-ordering govern all behaviour. Hirschman agreed with Sen and described Sen's and his point of view as follows:

> Like any virtue, so he [Sen] seemed to say, parsimony in theory construction can be overdone and something is sometimes to be gained by making things *more complicated.* (Hirschman, 1984, p. 89; emphasis in original)

Hirschman went on to refer to "instrumental" and "non-instrumental" human behaviour, the latter being what we have in mind when we talk about doing things 'for their own sake' or that 'carry their own reward'. The distinction, he suggested, depends on the predictability of the outcomes of behaviour. Instrumental activities are routine ones that have very predictable outcomes; non-instrumental activities are ones that have uncertain outcomes. He listed "community" specifically as one such activity, and said that such activities should not be called labour or work, but "striving", a term that intimates the lack of a reliable relation between effort and result. Hirschman suggested that individuals adopt the instrumental mode of action in some areas of behaviour and the non-instrumental mode in others, and may even oscillate back and forth between the two. He was bold enough to say that non-instrumental action in general make you feel more like a "real person"; he might have added that it makes you feel like a real person rather than like an economic man (or rather than like Sen's "rational fool"). One might go on to say that such non-instrumental action makes you feel that you are in a 'real place'.

The distinction reminds one of a distinction made by Sen in his recent book on ethics and economics (1987). He said that economics had two distinct origins, one an "engineering" approach and one an "ethical" approach. Both have contributed to economics; both are useful. But in recent decades, mainstream economists have neglected the ethical approach, and have neglected ethical motivations in their models of individual behaviour. That is unfortunate, because axiomisation of self-interest overstates the extent to which self-interest governs people's behaviour. Adam Smith certainly recognised that, something lost sight of by economists who read only pursuit of self-interest in Smith (Sen, 1987, pp. 22–28).

Sen believes a person's utility is not solely a function of his/her well-being. He argued that there is a duality in the conception of a person.

> We can see the person, in terms of *agency*, recognizing and respecting his or her ability to form goals, commitments, values, etc., and we can also see the person in terms of *well-being*, which too calls for attention. (Sen, 1987, p. 41; emphasis in original)

The dominant view in economics seems to be that "a person's agency must be entirely geared to his own well-being" (Sen, 1987, p. 41).

In his earlier book, Hirschman (1970) had noted that consumers in markets and members of organisations have two options when they wish to make their wishes known: exit and voice. Migration is exit.

Staying, but voicing discontent, urging change, offering personal sacrifices, is voice. Economists, Hirschman pointed out, all too often analyse only the exit option, and I think the same can be said of regional scientists. The recent literature on quality of life, for example, rests heavily on exit to achieve equilibrium. Work on the sense of place would emphasise voice.

Whether a person uses the voice option depends on lots of things, and we might fruitfully divide those factors into two groups: characteristics of the individual; and characteristics of the community. Individuals no doubt have some propensity to either voice or exit, independent of the communities in which they live, and they sort themselves out in such a way that those who have a propensity to voice end up in communities that encourage voice. Some communities no doubt come to specialise in attracting people who value the voice option, and so over time there is a mutually reinforcing self-selection of individuals to certain communities. Furthermore, the fact that the sense of community is a sense of 'place' suggests that certain geographical settings encourage this kind of evolution towards specialisation in the voice option.

One may also make some progress in understanding a sense of place if one studies the recent literature, still rather scarce, on consumers' and firms' notions of 'fairness' in market dealings. Kahneman, a psychologist, and Knetsch and Thaler, economists, suggested that fairness is a much more important consideration in market dealing than the traditional stripped-down economic model allows (Kahneman *et al.*, 1986, 1987). They base that on people's responses to questions in telephone surveys of opinions and on the fact that a concern for fairness helps to explain some market results that are hard to explain otherwise. There are community standards on fair prices, including wages, and the fairness of a price is judged partly on how the price compares to certain 'reference' prices. For example, certain changes in price are considered unfair, even though they are in response to changes in demand and supply and even though there is no flagrant abuse of monopoly power. The customary or longstanding price is a 'reference price', and actual prices are judged in comparison with the reference, even if that conflicts with opportunity cost or market clearing.

While these writers referred to "community standards" of fairness, they did not actually say much about what constitutes a community, nor analyse spatial variation in community standards in a way that sheds light on whether the specific geographical setting, or the past social history of the community, has a systematic effect on standards of fairness. Nor did they discuss how the 'place' characteristics affect the reference price. There is work to be done to incorporate these new ideas into regional and urban economics.

An attention to fairness, by the way, clearly can come about either from self-interest or from more altruistic behaviour. Both self-interest and altruism are involved in community building, and it is difficult to separate the two kinds of motives. Either way, however, groups of people in spatial proximity can develop community standards on the fairness of market dealing.

XI. Conclusion

Although it is not easy to think about these new angles to the 'place prosperity vs people prosperity' issue, it is easy to see why they are important. The most challenging questions about public values arise precisely in the cases where a large number of people agree that a public good exists, but its effects are intangible and difficult to measure. In principle, however, the most important concepts of the analysis actually rest on very traditional concepts in urban and regional economics and in economics generally. If place-specific community values have genuine externalities for other localities and for larger regions or even the nation, then significant policy issues are raised for state and national governments. For the nation, the question is whether the agglomeration of senses of places in a multitude of localities and regions adds up to something that transcends locality, to something that is genuinely national as well as genuinely local.

The questions are not easy, and they are also contentious. The answers depend on the preferences of the larger society, and it is the larger society that must decide how much it values a sense of place. That is the matter for debate. Unlike other public goods the spatial boundaries of which are fuzzy, such as clean water, clean air, education and racial integration, we do not know yet whether there is a clear consensus that the values are important. One can hope that progress in identifying a sense of place and in quantifying it will help society to crystallise its preferences. In the process, there should be important benefits in the form of more realistic economic theory as well.

I conclude by coming full circle, to the first paragraph of Chinitz's 'Contrasts in agglomeration' (p. 279):

> The natural inclination of a scientist when confronted with a new problem is to try to solve it with old tools. When he is finally convinced that the old tools will not do the job, he retreats to his shop to fashion some new tools. The burden of my argument in this paper is that we have reached the stage in regional economics when we must begin to fashion some new analytical tools.

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Notes

1. Marina Whitman's 1972 essay (one that was in honour of Hoover, and that reacted to Hoover's discussion rather than Winnick's), analysed the issue using the tools of international trade and finance theory. She noted that 'openness' of an economy makes it difficult to target demand policies (monetary policy and general fiscal policy) on a particular region, indeed in some cases makes it difficult even to target demand policies on a *nation*. She noted that it is only logical, therefore, that many regional economists, such as Chinitz, conclude that policies attempting to increase *supplies* of factors of production in a region are more valid goals of regional policy. She then discussed briefly some specific possibilities for increasing supplies of factors in a region other than at the expense of supplies in other regions, thus implicitly countering Winnick's pessimism. Whitman's arguments were much influenced by the contemporary discussion about the trade-off between unemployment and inflation at the national level (Whitman, 1972, pp. 385–390).
2. See, for example, Fairris (1985) and Bliss (1988).

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