The Nature of Urban Land

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ABSTRACT. Considerations about *land* interpose into almost every aspect of *urban life*. They may not be the only factor determining a city's well-being but appropriate *land policies* are necessary to bring about prosperity and equity. Contemporary accounts of the *'urban crisis'* and of *urban problems* reveal the pervasiveness of *land issues*. Use of one urban land parcel has bearing on the usability of neighboring sites, which makes land a *community resource*. *Urban land* may be defined as land used or expected to be used for urban activities. Its attributes include location, space, property, clustering, heterogeneity and immobility and indestructibility. *Neo-classical* theorists, by stressing accessibility and ignoring externalities and other attributes of land, achieved only an unrealistic understanding of it. Most land economists are *institutionalists,* their theory encompassing long-validated concepts about the nature of land. The *neo-Marxian* approach has many points of congruence with the institutionalist one. Empirically investigated, urban land is found to be different from *economic goods* and hence its production, allocation and disposition must proceed at least like other *public goods.*

I

LAND, THE BASIS OF HUMAN LIFE

LAND IS A HUMAN NECESSITY. Everybody needs some ground to stand, sit, sleep and walk on. These are the habitational uses of land without which human life is inconceivable. Land is also needed for productive activities; agriculture, forestry and mining, the primary activities, are obviously dependent upon land. The secondary and tertiary activities, *i.e.* manufacturing, commerce and services, use land as the stage of their operations. One way or the other, land is a basic resource of human life. In modern urban settings, the significance of land as a resource is all the more striking.

The contemporary city is the locale of modern industrial society. In it most of production is carried out and here reside a majority of consumers, particularly in industrialized societies. The Third World countries may not be numerically dominated by cities, but there is increasing concentration of political and economic power in urban centers. Cities

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are not merely the places where large numbers of activities and people have congregated. Their distinguishing characteristic is a high degree of interrelatedness of activities resulting in a complex system which is more than the sum of its parts. In economic terms, it is the agglomeration effect which makes a city a dynamic center of modern life (1). The division of labor lays ground for an intricate network of interdependencies of activities (2). Sociologically, the specialization of roles results in formalization and bureaucratization of social structures. Laws and impersonal rules become the bases of social order and communications become a cardinal necessity for smooth functioning of this complex system. Land acquires an additional role in a city. It acts as a coordinating and interrelating matrix by relative 'siting' of interrelated activities.

Land is the physical base over which an urban system operates. This is obvious. What is not so apparent is that to be the base is not a passive role. The manner in which people and activities are distributed over land has significant bearing on their efficiency, economy and welfare. There are two aspects of this process: (i) proportionality and (ii) pattern of distribution. Relative proportions of land allocated to housing, shops or industry or open spaces, etc., determine the balancing of various activities. More land for housing might create a shortage of industrial sites which would affect employment levels and vice versa. Whether a city will have a housing shortage or job scarcity is partially determined by the amount of land allocated to corresponding activities. But this is only one of the ways in which the disposition of land determines the economy and well-being of an urban system. Equally significant, if not more, is the pattern of distribution which defines where houses, shops or offices are located in relation to each other and their mutual accessibility. A pattern of land use is essentially an expression of interdependencies of social and economic activities. An appropriate pattern can facilitate the interrelations and thus lay grounds for an efficient and productive urban economy; the mismatching of land uses produces the reverse effects. It is possible that individual parcels of land may be gainfully used yet the cumulative effect would be disastrous. Much maligned suburban sprawl is a case in point. This concern with the interrelatedness of land uses is the *raison d'etre* of the city planning profession. From an economic point of view, urban land is a resource whose allocation must be guided by criteria of city wide economy and efficiency (3).

The term land in economics has conventionally included improve-

ments made to it or attached to it. Thus urban land is both a resource and a property. As a property, it is a source of financial gain, personal satisfaction, sense of security and social prestige for individuals. For groups, land acquires meanings of cultural territory and serves as a symbol of belonging together (4). Only a small proportion of urban residents possess land, though a vast majority entertain a consuming desire to acquire it. The ownership of land (and buildings) distinguishes propertied classes from renters, upper and middle classes from the poor and in Europe and America even the working class from the dispossessed minorities. A land tenure system sustains and in turn is maintained by the social structure.

Urban land is a unique possession. Unlike other forms of property, the ownership of urban land confers considerably restrained rights of use and profit, even in capitalist countries. The use of urban land is not a matter of owner's choice alone. One has to abide by zoning and building restrictions and in many countries, even capital gains from enhanced value arising from authorized change of use are taxed away. The ownership of urban land is a very circumscribed possession. It is regulated by public interest and is now being increasingly treated as a community resource.

It is a fact that almost every new use of urban land in most Western cities proceeds with the permission of public authorities. Local and regional governments are the arbiters of how a parcel of land is to be used, built upon and developed. These public powers are not arbitrary but they are meant to safeguard a community's health, welfare and economy. The rationale for such a strong public presence in the process of urban land disposition lies in the mutual externalities cast among land uses (5). The social and economic interdependence of activities imprint a corresponding interrelation on land sites. Thus activities supported by one land parcel enhance or reduce the usability of others and vice versa. A glue factory in a residential area casts negative externalities whereas a park enhances the livability of an area. Such mutual effects are not only economically crucial but also have bearing on the public health and common weal. As the negative effects were first to be recognized, the public interest found initial expression in zoning and building regulations. Gradually the public interest in urban land has embraced concerns of efficiency, economy, fiscal viability, equity and now environmental protection of an urban area. These concerns have brought into play new instruments of public intervention, *e.g.* betterment taxes, impact assessments, land policies, etc. They

have also turned the process of urban land development and disposition into a complex interplay of public and private actors, thereby redefining the concept of ownership for urban land.

So far we have broadly reviewed the economic and institutional significance of urban land. The picture emerging in this description suggests that land considerations interpose into almost every aspect of urban life. They may not be the only factor determining the well-being of a city but appropriate land policies are necessary to bring about prosperity and equity. The contemporary accounts of urban problems reveal the pervasiveness of land issues.

What is popularly known as the urban crisis is a catchword for a host of problems. It is comprised of housing shortage, transportation deficiencies, environmental degradation, insanitary living conditions, insufficient and unhealthy water supply, sprawled development, rising land prices, increasing fiscal deficits, shortage of developed land, political fragmentation, in- and out-migration of income classes, etc. These are intertwined issues, though land problems stand out as a common denominator. The high costs of land development and the inappropriate use of developed land inhibit the housing supply. A disorderly pattern of land use elongates journeys to work and causes transportation congestions. Low density and sprawled-out development at the urban periphery exact heavy social costs in the form of uneconomical expenditures on public facilities, wasteful use of land and absence of a sense of community. The economy of a city depends upon facilitating of operations of interdependencies through appropriate land use patterns. Similarly, social justice within a city cannot be realized in the face of persistent geographic inequities of public facilities and services. What is striking about these issues is that they require a socially efficient pattern of land use and an equitable system of land tenure. An analysis of each of these issues brings out the necessity of regulating and guiding the land disposition process in the communal interest. Henry George may have been over-enthusiastic about the role of land in the wealth of nations, but he was not mistaken in holding that land issues permeate every aspect of a community's life.

Two conclusions emerge from the foregoing discussion. (a) The process of land disposition has very significant influence on the urban economy and on communal welfare. (b) The use of a parcel of urban land has bearing on the usability of neighboring sites. This characteristic makes urban land a community resource.

With this brief review of the role of land in an urban system, I now

come to the question: What are the significant attributes of urban land and how do they arise? This question takes us into an exploration of the nature of urban land.

II

WHAT IS URBAN LAND?

THIS QUESTION is not as trivial as it may appear at first. A moment's reflection will begin to reveal its relevance as well as its complexity. To say that urban land is the land falling within urban boundaries only begs the question. Boundaries of cities may or may not have been set on any functional criteria. Often they are the outcome of historical accidents and political convenience. And contemporary metropolises cannot even be said to have precise boundaries. Mere areal extent is a very ambiguous criterion to define urban land. It would leave out such obvious urban uses as housing subdivisions and industrial estates around a city and include farms falling within the city boundaries. Urban land would be more appropriately defined by functional criteria.

The land which is used or expected to be used for urban activities may be defined as urban land. This definition shifts the focus from where on the surface of the earth a piece of land is situated to what goes on upon, under or over it. The latter emphasis has fewer ambiguities and less arbitrariness. By making activities as the criterion determining 'urban-ness' of land, its functional aspects are emphasized. Ratcliff, Smith, among others have also defined land in functional terms (7). This approach points towards social and economic factors as the primary determinants of urban land. They lay bases of what constitutes urban activities at a point in time. What use a parcel of land will support is the prime determinant of its value and role as urban land. The process of settling of uses on land parcels is the mode of making urban land. To understand the nature of urban land, we must identify attributes by which urban land is characterized.

III

ATTRIBUTES OF URBAN LAND

URBAN LAND comes into being when a piece of the earth's surface becomes eligible for urban uses. It is a passive process in the sense that 'eligibility' comes from without and settles on the land. Little changes physically in the land involved and often little is done to make it usable for specific urban use. Neighborhood as well as city wide externalities and public investments are prime factors in endowing a

land parcel with urban usability. The workings of these processes do not concern me presently. They will be discussed later. A more pressing need at the moment is to identify the outcome of this process. What attributes does this process endow upon land to make it a valuable urban property? It appears that the following attributes are the distinguishing characteristics of urban land.

(a) *Location:* This is the single most distinguishing attribute of urban land. Location means the position of a parcel of land in relation to other sites supporting complementary economic and social activities. Generally, it is expressed in terms of accessibility of one site to another. It may be noted that the bases of location are a set of economic relationships, which means that it is a relational concept. Yet it has come to be used in absolute terms also, in the sense that one parcel of land has more or less locational potential than others, or more commonly it is said to have greater or lesser accessibility. Accessibility is rooted in economic, social and technological interdependencies of activities. As a concept, it is appropriate to talk about accessibility between houses and work places because they harbor interrelated activities. Whereas the accessibility between houses and jails seldom concerns anyone (except specialists in inmate rehabilitation). Thus, it is the mutual complementarity of activities which lays the framework of activities and determines locational pulls of land parcels. These interlinkages are facilitated or hindered by roads, paths, telecommunication lines, etc., which are public goods of one kind or another. They require public investment and collective action to be produced. This means that location is an externally defined characteristic, however looked upon, whether as a function of interdependencies of activities or as a manifestation of facility of communication and transportation between two sites.

(b) *Space:* The term land truly refers to three-dimensional space. The height is not a uniformly similar dimension for all urban land parcels. It varies from zone to zone according to local regulations. One parcel of land may be built over up to three stories while on another a 20-story building might be raised. Such zoning regulations introduce wide variation in the amount of space available at different sites. That is why height is an important dimension of urban land.

Another reason for treating urban land explicitly as space is that often a so-called parcel of land may not even be grounded on the surface of the earth. A specified layer of space is all that it may mean.

For example, a third floor apartment in a condominium tower is an urban land parcel which exists as a layer of space. This means that urban land is a product of man-made rules and technology as much as it is nature's creation in the form of the earth's surface and surrounding atmosphere.

The human hand is also evident in surveying, mapping, registration and subdivision of space. Similarly, the technology of high rise buildings make the use of the vertical dimension feasible. These legal, institutional and technological instruments parcel out space and create the resource called urban land.

(c) *Property:* Urban land (the term refers to space from here on) is also a tangible possession of individuals and corporations. Yet it is an unusual possession in the sense that owners cannot exhaust or carry it away. It is there for their use and it will be there long after the present set of owners is gone. The proprietorship of land consists of a bundle of rights: rights to use, sell, bequeath, profit and exclude others, alienate, assimilate, etc. (8). The market transactions of land are dealings in these rights. It must be mentioned that these rights have been modified and constrained extensively in modern times. This also means that property is not comprised of the same rights everywhere. These features of urban land as property have two implications. First, urban land as a property confers some decision-making powers upon owners for its use. Therefore, motives guiding these decisions become important determinants of land uses. Secondly, as a property, urban land also becomes a repository of investments for capital gains. In this context, urban land is subject to different objectives and its disposition is guided by considerations of investment markets. Often the role of urban land as an investment could conflict with its function as a site for urban activities. It introduces tensions and affects the land disposition process (9).

(d) *Clustering:* Physically, there are no free-standing units of land, a tiny island being the only exception. All land is contiguous. As Cho says "Land is like a seamless garment, it exists as a unity—any part of it, with the heat and light, the air and moisture which nature assigned to it, is not easily separable from other parts" (10). Yet it is carved out in proprietary parcels. The phenomenon of land subdivision is essentially a legal and institutional mechanism to portion out land surface among owners and users. It does not affect the physical contiguity. But man has learned to suppress the fact of contiguity and look upon a parcel of land as a free-standing unit. For agricultural

uses the fiction of the autonomous land unit is valid to a large extent. Each farm is a relatively free-standing production unit. In urban settings, this fiction gives way to the notion of interdependence of land uses and parcels. Urban land parcels are inseparably bound together. They occur in clusters. The physical contiguity lays ground for the network of interrelations which bind clusters together.

The clustering of urban land parcels has two aspects. One, a quantitive agglomeration of land uses (a minimum number of a sort) must exist to earn the designation of urban land for constituent parcels. A non-farm dwelling in the country or a single gas station on a back road is seldom regarded as a unit of urban land. Secondly, clustering as an attribute also refers to the interlinkages among land parcels. It suggests that each parcel is an anchor for one element of a system of activities. The web of externalities is once again evident.

As an attribute of urban land, clustering reflects the communal nature of the urban system. It implies that community facilities, local regulations, etc., must pre-exist for urban land to come into being. It suggests that urban land is not merely a slice of the earth's surface, it is also an element of a system of sites. This systematic aspect of urban land needs to be grasped.

(e) *Heterogeneity:* Urban land is a very heterogeneous commodity. There is a high degree of uniqueness among land parcels arising from varying incidence of one or more determining characteristics, *i.e.* location, size, shape or form of space, tenure, etc. Uniqueness as an attribute of urban land arises from, as Ratcliff perceived, a "complex but singular set of relationships that one parcel has with other parcels" (11). These relationships are embedded in social and economic activities centered on these parcels. Apart from these combinations of interdependencies, land parcels acquire uniqueness from wide variations of size, shape, tenure, etc.

The significance of heterogeneity as an attribute lies in the fact that it tends to lend a monopolistic character to land markets (12). It makes land relatively impervious to economic laws of supply and demand and it alters assumptions about the operation of land markets. It is all the more important to recognize that uniqueness of individual parcels and their monopolistic character arise from situational and contextual factors and it is not the product of an entrepreneur's inventiveness.

Heterogeneity of urban land results in highly insular submarkets, whose prices and uses are not transferable. This calls for strong public

intervention to ensure appropriate use of unique parcels and to safeguard interdependencies of activities.

(f) *Immobility* and *Indestructibility:* These are physical attributes of land which are fully characteristic of urban land. Obviously a parcel of land cannot be transported anywhere else. It is fixed to the surface of the earth. This also means that an excess of urban land at one place cannot make up for a shortage at another. In the same vein, land as two-dimensional space cannot be either physically created or destroyed: urban land reclaimed from swamp land is made usable. A use does not exhaust land resources; it only ties them up for a long period of time. If the use should be removed, the land still remains. It is particularly true in urban settings, where any changes in the physical characteristics of land as a result of the use do not significantly reduce the opportunities of subsequent uses. Turner observes that: "The land market is unusual in that it is essentially a second hand market. The product is one which generally has been used before in its existing developed form and the new product is the exception rather than the rule" (13).

What picture emerges from these attributes of urban land? To put it succinctly, urban land is a bundle of locational possibilities derived from activities and facilities surrounding a land parcel. The essential features of urban land are man-made, with nature providing the stage upon which these possibilities and rights are enacted. Undoubtedly nature sets the limit within which man-made characteristics operate, but these constraints, historically, have not proven to be insurmountable. By and large, urban land uses have been determined by economic and technological considerations, though the neglect of consideration of nature has not been without social costs, as environmentalists have begun to point out.

From the foregoing discussion, the following six propositions can be abstracted.

a. The distinguishing characteristics of urban land arise from its being drawn into a system of activities. A parcel of land is intrinsically a passive factor in the process of its transformation to urban uses. The determinants of uses originate from without.

b. Urban land as a unit of space and property is rooted in legal, administrative and economic institutions.

c. With numerous institutional and technological variables bearing upon urban land, it tends to be a heterogeneous commodity. There is a

high degree of uniqueness in individual land parcels which contributes towards monopolistic tendencies in the market.

d. Given the systematic nature of urban land, much of its value can be ascribed to public investments, institutional decisions and economic interdependencies.

e. Urban land is a resource whose allocation and use have direct bearing on the public interest.

f. Urban land is both a utility good and a commercial good. These two uses of land, many times, conflict with each other. One promotes utility and the other delivers profits.

The viewpoint presented above does not reflect a consensual position about the nature of urban land. Although each of the above propositions would be acceptable with some reservations to a majority of observers of the urban scene, their overall message would be resisted by many, often on thinly disguised ideological grounds.

Land has always stirred passionate controversies and the present era is not an exception. With the emergence of cities as centers of economic and political power, urban land becomes an object of contention. Who may own? What rights may owners have? How much public control is necessary? Who may benefit from windfalls of increasing values? These questions now divide national opinions. The depth and persistence of these divisions are pointedly illustrated by the British experience. Labour and Conservative parties in Britain are on the opposite sides of the ideological spectrum on the issue of urban land. One supports public ownership of development rights and promotes taking away of value increases arising from change of use. The other maintains faith in the individual's rights of owning and profiting from land. A Labour government institutes measures to extend the public domain in urban land; whereas the Conservatives, on coming to power, roll back such measures. This see-saw for and against betterment taxes and community land ownership has gone on in Britain since 1947 (14). If practitioners of democratic politics have such passionate views about urban land, it can be imagined how fierce will be academic battles on issues of ownership and use. Obviously for a discussion of the nature of urban land to remain dispassionate is an unlikely event. Any view, no matter how analytically arrived at, is likely to be met with objections from the right or the left and perhaps from both. This is also true for the viewpoint developed above. In order to offer a taste of different philosophic positions, I will give a brief resumé of three schools of thought about the nature of urban land. These posi-

tions are not clearly articulated in the literature. They have been gleaned from respective land rent theories and from assumptions underlying various modelling exercises.

IV

MAJOR SCHOOLS OF ECONOMIC THOUGHT AND URBAN LAND

a. *Neo-classical:* The major thrust of the neo-classical conception of urban land lies in treating it as a commodity which is governed by microeconomic laws of supply and demand. Its supply is assumed to be a function of costs of accessibility and its demand is prompted by feasibility of putting a use to it. This is how contemporary neo-classicists make land markets subservient to competition between utility and costs. Accessibility is the key to their formulations. It introduces cost of producing urban land—thus doing away with the dilemma of the gift of nature and becomes the basis of competition among uses seeking to settle on land. One of the consequences of this formulation is that land loses its special status. Its supply becomes relatively elastic and its utility variable. In sum, it is turned into a commodity conforming to assumptions of homogeneity and substitutibility. Alonso's rent bid curves and Wingo's postulate of complementarity between transport costs and land values portray urban land as a substitutible commodity and invest it with a fair degree of homogeneity (15). Ely and Wehrwein have mentioned in passing that immobility is not a barrier to the treatment of urban land as an economic good. They argue that it is the use that is an important attribute of land and that is perfectly mobile (16). Marshall himself was not ready to concede a special role to land as a gift of nature and as a factor of fixed supply. He argued that land is a form of capital, fixed in supply in the short run but a variable in the long run, though he also conceded that land earned quasi-rent for its limited supply (17).

Neo-classical theorists are silent about neighborhood externalities, the role of public investments in endowing usability and accessibility to land and the tenurial variations as determinants of urban land characteristics. By stressing the quantifiable parameters of accessibility (transport costs), they turn the locational potential of land into a continuous variable. This makes land a homogeneous commodity and divests it (in their eyes) of monopolistic characteristics—conditions necessary to maintain a neo-classical stance. Yet there are so many exceptions to these assumptions that an observer of urban land cannot help regarding it a lumpy, heterogeneous good. This is one reason that most land economists are institutionalists.

b. *Institutionalists:* In order to describe the institutionalists' views about the nature of urban land, a few words about institutionalism as an approach are in order, because it is a relatively less known mode of analysis. Institutionalists give an equal emphasis to organizations and rules through which economic behavior is mediated. Unlike neo-classicists, they assume that abstract laws of demand and supply are only one of the elements of economic behavior. Arrangements through which these laws find expression affect their outcome to such a degree that those laws must be treated as variables in economic analysis. In simple terms, it means that economic analysis should not be limited to the abstract forces of demand and supply, but it should embrace the sociopolitical settings which prompt and enact economic decisions. Recently Ratcliff has articulated some premises of institutionalism and advocated the continuation of the institutional approach in land economics because by analyzing institutions, remedial policies for urban ills can be devised (18).

The institutionalists look upon urban land as the product of a series of public and private decisions. It is an economic good embedded in social and political institutions and, thus, inseparable from them even conceptually. Location is also an important attribute of urban land for institutionalists, but they ascribe it to a multitude of factors including accessibility, but not limited to it. The locational potential of land parcels arises from sociological preferences, public regulations and, most of all, by neighborhood externalities. Clawson thus describes the nature of urban land: "The use and value of each piece of urban land is largely determined by activities on other tracts of land within the same urban area" (19). Institutionalists are also well aware of property as an attribute of urban land and they assign considerable weight to tenurial features and public regulations in assessing the economic potential of land parcels. These features neo-classicists dismiss as contextual elements whereas institutional land economists take them to be the distinguishing features of land as a commodity (20).

It might be noticed that my description of the nature of urban land follows the institutional approach. This is both a tribute to long validated ideas of land economists and a recognition of the empirical relevance of institutionalism.

c. *Marxian:* Urban land does not figure in Marx's writings directly. Yet the Marxian mode of analysis can be fruitfully applied to urban land issues. David Harvey is an acknowledged contemporary interpreter of the Marxists' position on urban issues. I will paraphrase his views to outline the Marxian definition of the nature of urban land.

Harvey uses the Marxian distinction between 'use value' and 'exchange value' of commodities to flush out attributes of urban land. He argues that land as a commodity takes on different characteristics depending on which of the two values is dominant in a situation. This also means that their contradiction makes land a paradoxical object. He abstracts six such characteristics.

i. Land has a fixed location and, thus, a person who determines the use of a site has monopoly privileges.

ii. Land is a commodity which no individual can do without.

iii. Urban land in different sectors takes on the commodity form (*i.e.* salable goods) to varying degrees. In business and in the owner-occupied housing sector, its use value is more dominant, whereas in the rental sector, land takes on the commodity form more frequently.

iv. In a capitalist economy an individual has a dual interest in property: as a current and future use value and as potential or actual exchange value.

v. Land is bought with a large outlay at one point in time and used over a long period. This means that financial institutions play a very important role in the land market of capitalist society.

vi. Land has different uses: providing shelter, space, privacy, location, wealth, etc. Not all these uses are equally desired by every household. Thus the capacity of land to satisfy needs and deliver use value depends as much on its intrinsic qualities as upon the type of user. Potentials of land and user's motives interpenetrate (21).

The Marxian view of the nature of urban land, as interpreted above, refines and extends the institutionalists' logic. It assigns 'property' the decisive position engendering monopoly in land markets. Locational differentiation may make land a heterogeneous commodity, but individual ownership exploits these unique features through monopolistic practices. Similarly, by pointing out that users have widely varying demands on land, it is noted that location is only one of a multitude of contending influences in land markets. This introduces another set of determinants of land uses and values—*i.e.* user's motives. Yet land is needed by everyone to live on, irrespective of other overlaid motives for possessing it. These contradictions and dilemmas are inherent in the nature of land. Thus, the linearity of the neo-classical models contrasts with the circularity of the Marxian formulations.

Among the three, the institutionalist and the Marxian approaches have many points of congruence. Both assign social and political underpinnings of urban land significant weight, whereas the neo-classicists lay stress on economic variables, to the virtual exclusion of any

other. Neo-classicists are caught on the horns of a dilemma about land. They would like to treat it as any other commodity, but its immobility and fixed supply and its role as a factor of production cannot be overlooked. Institutional and Marxian approaches treat land as an uncommon good and assume it to be a heterogeneous commodity. A brief look at how this heterogeneity arises will help clarify the point.

V

SOCIAL ECONOMY OF URBAN LAND

THE MAIN UTILITY of urban land is as a site for human activities. It is a paradox of urban land that one parcel of land along the main street may become a choice commercial site, whereas the other side of the same block, fronting on an equally wide street, may languish for want of demand. Within a few yards of each other in a downtown section, one parcel of land is a skid row and the other provides fashionable addresses. The question is, what creates such locational differentiations? Answers to this question will also explain the bases of heterogeneity of land, yet they are hard to come by. Confessedly, one can say that little is known about these micro-variations. We have a better idea of the larger picture from negative exponential curves of land use intensities and values (22). The concentric zone model of Park and Burgess, and the sector theory of Homer Hoyt also describe a general picture.

These theories have been challenged but even if they were acceptable in their entirety, they do not explain the high degree of differentiation. Accessibility as an explanatory variable fails to explain contrasts in desirability of the two sides of a city block. Why is there such a widespread housing abandonment in prime locations of American cities? Why do inaccessible sections continue to be thriving commercial centers? Why do infiltrations of migrants drive down property values? These paradoxes underline the institutional, historical and social factors in the making of urban land. What goes around a parcel of land, what externalities, and what symbolic and cultural values pervade in a situation? These are the factors that need to be examined to explain such paradoxes.

House lots fronting on a park may benefit from its amenity, if the park is crime-free; otherwise it may be a value-reducing nuisance. Here is an example of social externalities which has strong influence on the usability of nearby urban land. It illustrates how special conditions and local services—police for example—influence the use of land. This is not a unique example. Such cases can be cited over and over again.

The gentrification of inner city neighborhoods (23); the popularity of preservationists' causes; the disenchantment with suburbia; the rising price of motor fuels are examples of how social trends continue to redefine the locational potentials of city land. These examples illustrate the point that usability, hence value, of urban land is determined by many factors and merely focusing on economic variables—still worse a single variable—is an untenable approach. Accessibility lays the groundwork for social and economic forces to operate. It provides a coarse grain description of urban spatial structure. That is as far as it can take the land economist. Any attempt to understand and influence the basis of the urban land market realistically would require a broader socio-economic mode of analysis. A larger range of variables will have to be dealt with, even at the cost of elegance and quantification. In sum, urban land can be better understood by following an approach described as that of social economy. This statement calls for an elaboration.

Social economy is not a formalized discipline or branch of a discipline. At best, it can be described as an approach to analyzing economic issues in which psychological, sociological and cultural factors are given adequate weight. This is in contrast to the usual economic analysis wherein the organizational and valuational parameters of economic behavior are assumed to be either irrelevant or insignificant. Whether a commodity is produced and supplied by a monastic order or a business firm, conventional economics is unconcerned with its mode of production. Positive economics focuses upon quantities, cost and demand, etc., of commodities regardless of how they come into being. Yet there has been a streak in economic thought which lays stress on giving attention to the social relationships in which production and distributional processes are embedded. Galbraith is a contemporary practitioner of this methodology. The mode of analysis which looks at the social causes of economic behavior and also examines the social consequences of economic process has been called 'Social Economics' (24). In a recent book entitled *The Social Economy of Cities,* the subject matter has been defined as 'the interrelationship of the social and economic systems operating within . . . a particular urban place' (25).

The preceding discussion points out that urban land is a product of institutional and social arrangements. Under varying arrangements, urban land will acquire significantly different characteristics. That is why the phenomenon of urban land has to be examined in the context of a sociolegal framework.

The questions that need to be raised in investigating urban land are: (i) what are the various institutional forms through which urban land is disposed and produced; (ii) how these arrangements affect the supply, pricing, allocation and pattern of use of urban land; and (iii) how the emerging patterns of use and pricing affect economy, efficiency and equity of a city. These questions constitute primary concerns of the social economy of urban land and they must be dealt with in formulating land policies.

We have discovered that externalities, both social and economic, have a significant part in determining the usability of urban land. By and large, they endow a parcel of land with characteristics that make it a valuable urban site. These externalities take many forms. They may be the spill-over of neighboring activities, or indivisible benefits (or costs) derived from public goods, such as roads, facilities and services, etc., and from the social environment. Even its accessibility can be treated as an externality arising from the presence of interdependent activities and a transport network. The pre-eminence of externalities as determinants of the 'nature' of urban land has been identified by Clawson, Neutze and Smith, three contemporary analysts of American urban land markets (26). It is, therefore, necessary that any analysis of the potential for use of an urban site must begin with an assessment of various externalities.

The role of the community in investing land with urban characteristics has been widely recognized in European city planning practices. For example, Britain treats the development of land, which effectively means changing the use, as a public prerogative. An individual can be allowed to do so, if it conforms to public plans. It also exacts from individual owners a share from any increase in value due to development (27). France, Sweden and the Netherlands have equally stringent regulations safeguarding communal interests in urban land. In the United States, the public interest has been institutionalized in the form of zoning and planning regulations to safeguard health and welfare. Zoning boards have constraining powers over individuals' use of land. These are accepted modifications of the private ownership of land, even in capitalist societies. They show the degree to which community interests have been acknowledged to be inseparable components of urban land. These are empirical facts which speak for themselves. The disposition of urban land calls for safeguarding community interests so that the overall pattern of land use and distribution of land values accords with goals of economy, equity and welfare. Darin-

Drabkin calls these considerations aspects of land's social utility and regards them as the necessary criteria for guiding urban land markets (28). So have many others, from Henry George to Mason Gaffney.

Urban land is also property in capitalist and mixed economy countries. There is individual ownership of land parcels, though what the ownership entails varies considerably. Urban land in these two conflicting roles—community resource and property—is a source of tension. On the one hand, it keeps the question of who benefits and who pays for the creation of urban characteristics on the forefront of the political agenda; on the other, it turns the land development and allocation process into a complex interplay of private and public decisions, actors and organizations (29). The policy making process has to mediate among these conflicting claims. Any proposals for land use have to deal with the financial consequences of the intended changes and ensure equity between the public and private interests and among the various individual owners.

The sum total of the above stated conclusions is that urban land does not satisfy the usual assumptions about the nature of economic goods, *i.e.*, homogeneity, divisibility (30). Its valued characterstics are communally produced and its disposition is being guided by collective interests. These findings set urban land apart from normal economic commodities. To it, the textbook micro-economic principles are not applicable even probabilistically. Its supply is limited and lumpy, its demand unceasing and its utility fundamental to human existence. Production and allocation of urban land must proceed at least like other public goods, in accordance with the ideological preferences of a country.

1. Walter Isard, *An Introduction to Regional Science* (Englewood Cliffs, N.J.: Prentice-Hall, 1975), Chap. 1.

2. Eric E. Lampard, "The History of Cities in the Economically Advanced Areas," in John Friedmann and William Alonso, eds., *Regional Development and Planning* (Cambridge: The M.I.T. Press, 1964), pp. 321–42.

3. The term 'resource' here means a scarce good which helps produce other goods and resources. (G. Bannock, *et al., The Penguin Dictionary of Economics,* Baltimore: Penguin Books, 1972), p. 352. The older term, 'natural resources,' signified the provisions of nature. See B. J. Horton, *Dictionary of Modern Economics* (Washington: Public Affairs Press, 1948), p. 237.

4. Walter Farey, *Land Use in Central Boston* (Cambridge: Harvard Univ. Press, 1947).

5. Externalities are such costs or benefits of an act of consumption or production which fall on others and which are not transactions in a market. Garbage burning in a backyard is a negative externality on neighbors, whereas a hedge of rose bushes may be a positive externality.

6. Barbara Ward, *The Home of Man* (Baltimore: Penguin Books, 1976), pp. 39–59.

7. Richard U. Ratcliff, *Urban Land Economics* (New York: McGraw-Hill Book Co., Inc., 1949), pp. 1–18, 280–301; Wallace F. Smith, *Land Using Activi-*

ties (Berkeley: University of California Center for Real Estate and Urban Economics, 1970), p. 51.

8. V. Kruse, *The Right of Property* (London: Oxford Univ. Press, 1939), Chap. 6.

9. Haim Darin-Drabkin, *Land Policy and Urban Growth* (London: Pergamon Press, 1977), Chap. 8.

10. Joe H. Cho, 'Externalities and Land Economics,' *Land Economics,* p. 68.

11. Ratcliff, *op. cit.,* p. 284.

12. Darin-Drabkin, *op. cit.,* p. 178.

13. D. M. Turner, *An Approach to Land Values* (Berkhamsted: Geographical Publications Ltd., 1977), p. 39.

14. D. R. Denman, "Land Policies: The Sowers and the Scythemen" in Stanley Millward, ed., *Urban Harvest* (Berkhamsted: Geographical Publications Ltd., 1977), pp. 23–38.

15. W. Alonso, 'A Theory of the Urban Land Market,' *Papers and Proceedings of the Regional Science Association,* Vol. 6, 1960, pp. 154–59; L. Wingo, *Transportation and Land Use* (Washington: Resources for the Future, Inc., 1961), pp. 63–80.

16. Richard T. Ely and George S. Wehrwein, *Land Economics* (Madison: Univ. of Wisconsin Press, 1964), pp. 54–55.

17. Alfred Marshall, *Principles of Economics,* 8th edition (London: Macmillan & Co., reprinted in 1964), pp. 349–76.

18. Ratcliff identifies four elements of the institutional approach. *i.e.* (i) problem oriented; (ii) concern with human economic motives; (iii) interdisciplinary in approach; (iv) focus on institutions as material of analysis and seeking ways of changing them. R. Ratcliff: 'Institutionalism and Urban Economics' in Michael A. Goldberg, ed., *Recent Perspectives in Urban Land Economics* (Vancouver: University of British Columbia, 1976), p. 5.

19. Marion Clawson, *America's Land and Its Uses* (Washington: Resources for the Future, 1972), p. 43.

20. Ratcliff, *op. cit.,* pp. 5–6.

21. David Harvey, *Social Justice and the City* (London: Edward Arnold, 1973), pp. 157–60.

22. Colin Clark, *Population Growth and Land Use* (London: Macmillan, 1969), pp. 339–85.

23. James Pitt, *Gentrification in Islington* (London: Peoples Forum, 1977).

24. W. Hagenbuch, *Social Economics* (New York: Columbia Univ. Press, 1958), pp. 2–7. See also *Economics and Sociology: Towards an Integration,* T. Huppes, ed. (Leiden: Martinus Nijhoff Social Sciences Division, 1976). This approach is in some ways similar to, and in others different from that of Adolph Lowe. For his conception of "political economics" as a 'science,' see his *Economics and Sociology: A Plea for Cooperation in the Social Sciences* (London: Allen & Unwin, 1935) and particularly his *On Economic Knowledge* (New York: Harper & Row, 1965) (but compare his *Towards a Science of Political Economics,* in R. L. Heilbroner, ed., *Economic Means and Social Ends,* Englewood Cliffs, N.J.: Prentice-Hall, 1969) and his *The Path of Economic Growth* (New York: Cambridge Univ. Press, 1976), pp. 14–16 and 286.

25. Gary Gappert and Harold M. Rose, eds., *The Social Economy of Cities* (Beverly Hills: Sage Publications, 1975), p. 7.

26. Marion Clawson, *Suburban Land Conversion in the United States* (Baltimore: Johns Hopkins Univ. Press, 1971); Max Neutze, *The Suburban Apartment Boom* (Baltimore: Johns Hopkins Univ. Press, 1968); Wallace Smith, *Urban Development* (Berkeley: Univ. of California Press, 1975).

27. Marion Clawson and Peter Hall, *Planning and Urban Growth* (Baltimore: Johns Hopkins Univ. Press, 1973), pp. 160–64.

28. Darin-Drabkin, *op. cit.,* p. 120.

29. Clawson, *Suburban Land Conversion &c., op. cit.*

30. Alfred W. Stonier and Douglas C. Hague, *A Textbook of Economic Theory* (London: Longmans, Green and Co., 1965), p. 11.