

Reviews/Comptes rendus

Land Use and Urban Form: The Consumption Theory of Land Rent.
Grant Ian Thrall. New York: Methuen, 1987: 239 pages

The customary starting point for studying land rent theory is the featureless plain extending in all directions, devoid of both man-made structures and such natural barriers as rivers and mountains. Populated by people of identical tastes and productive capabilities, land use patterns quickly emerge from considering transportation costs, income distribution, and other elements. The major theorems of land rent theory are typically derived by appeal to some notion of spatial equilibrium and the interaction of production and consumption activities. Furthermore, in all but the most simple examinations, the task proceeds through combining calculus-based mathematics and intermediate microeconomics theory. This situation is far from satisfactory because, for whatever reason, the belief is held that city and regional planning practitioners would prefer to eschew mathematical modeling and economic theory. Similarly, land rent theorists are thought needlessly abstract by treating land use patterns simply as increasingly complex extensions of the classic problem of locating ice cream vendors along an even beach in order to maximize sales.

Professor Thrall's book is valuable as a contribution that employs geometry to examine land rent issues through consumer economic theory. The basic model is developed in the four chapters of Part I. The effects of costly transportation are considered in Part II, Chapters 5 to 7, and the impact of government revenue and service activities are discussed in Parts III and IV. Part V, misleadingly labeled as multi-level decision-making, describes a housing rent function and includes a highly personal postscript of the author's embrace of the consumer theory of land rent.

The foundation of the consumer theory of land rent is straightforward intermediate microeconomics. Households, given a fixed income, must allocate expenditures between land and other goods. Accordingly, households will voluntarily choose that combination considered most appealing while, at the same time, staying within budget.

Add to this situation two further considerations: one, land is more plentiful and cheaper the greater its distance from the central business district; and two, spatial equilibrium must obtain within the urban system in the sense that households must experience the same level of satisfaction at all locations. All the familiar theorems concerning land rent gradients are now deducible. For example, the quantity of land consumed increases with increasing distance from the city centre (because it is cheaper in price), and so forth. Extensions to this framework are now apparent. Transportation is related to the distance from city centre, hence costs vary with location and thus affect income budgets; therefore, lower budgets are associated with locations more distant from the central business district. Consequently, the effect of transportation is partially channeled through lower incomes and the specifics of an administered cost structure for transport. Similarly, taxes of various sorts (sales tax, property tax, income tax) alter the budget, either by leaving the household with less absolute income to purchase either goods or land (in the case of an income tax), or, alternatively, by affecting the relative price of land (in the cases of a property tax or sales tax) and thereby making land consumption relatively more or less attractive.

If the results of the consumption theory of land rent are either predictable or commonplace, what is the major accomplishment of this book? Despite its origins as a set of journal articles, the book's contribution is mainly pedagogical. It presents standard urban economic propositions in diagrammatic format that can be understood by those without mathematical training. Further, the common device of these diagrams highlights the formal similarity of a multitude of government and private sector activities that impinge upon land rent and urban form. Consequently, the lessons of mathematical land rent theory are now accessible even to those allergic to calculus. Yet the book's great virtue is also its drawback, because the deliberate avoidance of formal mathematics is purchased at a price. Results easily stated in one or two lines of mathematical proof must, instead, be rendered in several interconnected panel diagrams, and one suspects that those most interested in land use theory will already have acquired the necessary tools for formal proofs, while those unsympathetic will conclude that the complicated geometry is too unwieldy in any case.

My more serious reservation with this book is that its central emphasis is entirely misplaced. The significant key to understanding land rent theory, whether through mathematics or geometric heuristics, is microeconomic production theory, rather than the consumer. Although in many ways formally identical, the production formulation of optimizing agents attaining spatial equilibrium is more rich and fruitful. As with the consumer theory of land rent, production would

focus on spatially-indifferent profit-maximizing firms that combine land and other factors (labour and capital) so as to yield marketable output. Add to this an institutional assumption of market competition, and firms will locate so that all units earn identical profit levels. This will result in firms that are more distant from the centre employing more land as a result of relative factor prices. However, the land-intensity of the production processes will also depend upon the extent to which it is possible to substitute land for other factors; that is, the elasticity of substitution, in economic jargon. In short, the production process formulation is mathematically identical to Thrall's consumption theory perspective. Yet the former is superior on two counts. The equilibrium mechanism of profit-seeking firms is more intuitive and plausible than that necessitated by Thrall; namely, equal satisfaction of households. Second, the potential for interpretation and empirical research is greater with the production orientation. It is now possible to countenance various market arrangements (monopoly, oligopoly and the like) as well as the influence of technology considerations. This latter advantage derives from the fact that it is more meaningful empirically to study the degree of substitution between land and other factors in production than it is to attempt to measure the degree of preference for land versus other goods in consumers' taste patterns.

In sum, this book demonstrates the power of formal economic theory applied to urban land problems. Its strength is to open these vistas for many without advanced mathematics, and to enumerate many propositions of land rent theory in systematic fashion. Unfortunately, the prose, while craftsmanlike, is didactic in style, and the book's exclusive concentration on the consumer to the neglect of the producer is distracting to land use planning practitioners while making it, at the same time, less interesting to theorists.

Derek Hum
St. John's College
The University of Manitoba

Local Development: The Future of Isolated Cultural Communities and Small Economic Regions. Edited by William J. Coffey and Roseann Runte. Pointe-de-l'Église, Nova Scotia; Les Presses de l'Université Sainte-Anne, 1987; 132 pages.

Conventional development theory has been undergoing a spirited reassessment for some time. Much of this debate hinges on three issues: (1) the transferability of western locational/regional analysis theory to the Third World countries; (2) the relevance of economic-oriented development theories such as the growth pole theory to regional planning in both developed and developing nations; and (3)

two theoretical conflicts, one between regional equity and national efficiency, and the other between economic growth and social well-being. This book, edited by Coffey and Runte, adds a fourth component to that debate by examining the place of small peripheral areas in industrial nations and by stressing the need to humanize development theory.

In the introductory essay, Coffey sets the stage by describing development as a complex socioeconomic process that operates at many geographical levels. He demonstrates that the social/cultural issues associated with development (or the lack of development) at the local level are often forgotten or ignored by theoreticians. Yet they are a real concern to local residents, and several papers written by non-academics articulate such concerns. For instance, L. Comeau states that: "For us, the Acadians, the dollar [economic growth] must help us to remain Acadians, of Acadian origin, race, language and culture, Acadians standing tall." Comeau is certainly not articulating the ideas of the marketplace in his desire to strengthen the economic future of northern New Brunswick, an area that many economic geographers and economists would consider as a marginal economic area, but rather those of a humanist who perceives technological change and economic growth as a means of making man more humane and more cultured. He and other authors are calling for two things: (1) more economic growth in peripheral areas, and (2) more local control over the direction of such growth. These gains would, they feel, ensure that the local economy is able to meet the set of non-economic objectives desired by local residents.

But what exactly is "local development"? In this collection of thirteen articles, the geographical focus is on small peripheral areas. Since development theories commonly focus their attention on large regions such as the Prairies, or on nation-states, the spatial niche of small areas appears to fall below that of a region and above that of a community. Perhaps it could be described as a microregional unit; but this definition is not without problems, because some authors treat it as any non-metropolitan area while others see it as an area remote from metropolitan centres.

Having resolved the "where", we now turn to the "what". Disappointingly, we discovered that the editors have not discussed their concept of local development in any detail, although two reference where very complete discussions can be found are mentioned (Coffey and Polèse, 1984; 1985). For this reason, the editors place the reader at some disadvantage and, since the authors vary in their use of the term, this problem increases with each new paper.

The subject matter in the papers is varied but tends to focus on the relationship between economic growth and social well-being. This

subject focus reflects one of the aims of this book, namely that the publication of these papers will continue the dialogue between specialists in economic development and the representatives of small isolated regions. Indeed, the editors pose two questions for all residents of peripheral areas: "Is there a future for non-metropolitan regions?"; and "Can a distinctive culture survive economic success or economic failure?"

These papers were presented at an international conference entitled "Le développement local: l'avenir des communautés culturelles isolées et des petites régions économiques", held in 1985, and then published in English in 1987. The conference resulted in a variety of papers covering various themes. A few of the papers appear to me to be of questionable value and the collection might have been strengthened by their omission (such as the perfunctory remarks of the federal government representative). For these reasons, the collection is mixed in terms of quality and content.

To my mind, the most exciting papers reflect the debate between the top-down advocates and the bottom-up supporters. Most papers argue in one way or another that development should be determined as much by local socioeconomic factors as by external forces, which translates into more involvement of government in the marketplace. One author, Martin, takes exception to this line of thought and presents a more conventional "economic" approach; that is, local development means more modernization of the area through innovations, in order to make it more competitive via import-substitutions or exports. According to the theory of local development, the agent of change is the small local business which, by accepting innovations, may stimulate local growth. If as a result of such efforts businesses in small regions still cannot raise their productivity levels up to or higher than the levels of competing places, then such areas cannot enlarge their economic base and may well see it eroded by such social processes as the migration of the young and better educated to places offering more economic opportunities.

A number of authors provide vigorous and well-conceived alternatives to the economic approach to local development. Bailly comes down firmly on the side of the bottom-up supporters by presenting a case for including human needs in regional theories. After citing Maslow's hierarchy of needs, Bailly sees this theory of human development as particularly useful in analyzing small regions. He, like others, supports the political concept of "more local control" over development.

Polèse also supports the notion of local development. In his paper, Polèse sees a marked decrease in the growth of urbanization, which causes him to question the role of agglomeration economies in determining industrial locations. Adding to this notion, Polèse describes the growth of the service industry in non-urban areas and the shift in

social values towards living in small-town and semi-rural locations. He leaves us with the following question: "Are we witnessing a gradual transformation in regional economics?"

Local Development, a collection of uneven articles given at a conference, adds to our information on development at a micro level. The editors may wish to consider a more focused and scholarly approach in their next effort. In such a book, they could provide a full review of development theory in terms of how it impacts on local development; explore the relationship of community development theory to see how it interacts with local development; and deal with the main elements in the development debate as they impinge on small peripheral areas. Such a book might follow the pattern found in Stohr and Taylor (1981), but with a clear focus on small peripheral areas (this book included a mix of theoretical articles and case studies). My bias would see the book focus on local development in Canada, where there is a particular set of historical and socioeconomic processes at work. In this respect, perhaps such a book would be better modelled after Savoie (1986).

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Robert M. Bone
Department of Geography
University of Saskatchewan

New Stresses on Confederation: Diverging Regional Economies. Edward A. Carmichael. Toronto: C.D. Howe Institute, June 1986.

At the time of writing (early 1987) most macroeconomic indicators of Canadian economic performance—for instance, the rate of growth of Gross National Product or the national unemployment rate—show the Canadian economy to be experiencing strong growth, a trend that has been continuing since about 1983. It is these indicators that lead most observers to speak about the current Canadian economic boom. The major problem with these types of macroeconomic aggregates is that they mask the fact that this growth is almost solely confined to

central Canada, while a great deal of the rest of the country is somewhat economically stagnant. This is just the most recent example of one of the more perplexing problems facing the Canadian economy: the fact that the economic regions are often not cyclically coordinated. This book presents a careful documentation of the problem and should be read by anyone who is interested in the regional economic diversities of the Canadian economy. Most federal governments have reacted to this problem by espousing policies that fall under the broad rubric of balanced economic growth. One overriding message of this book is that, in spite of these policies, the federal government has actually contributed to this regional divergence in recent years, and this will undoubtedly encourage a thorough examination of the regional impact of federal government economic policies.

The Canadian economy is traditionally thought of as being composed of five economic regions: British Columbia, the Prairies, Ontario, Quebec and Atlantic Canada. However, when one looks for the underlying cause of Canada's regional economic problems there emerges the theme of central Canada versus the rest of Canada. This does not arise because of any intrinsic dislike of one region for another, but rather on pure economic grounds due to the resource nature of the Canadian economy. The problem stems from the fact that resource-producing industries are not evenly spread geographically, being primarily located outside central Canada, while central Canada is a manufacturing centre and resource consuming region. Canada is a small open economy and, therefore, a price taker on world markets. This leaves Canada vulnerable to largely unpredictable, and essentially uncontrollable, movements in world resource prices. Therefore, when resource prices are low, times are good for the resource-consuming industries at the expense of the resource producers. It appears that this single fact of life for the Canadian economy has contributed greatly to the regionally uneven economic growth.

An examination of the recent Canadian economic data shows how resource price changes cause regional see-saw economic growth patterns in the Canadian economy. The period 1975-81 was one of high resource prices and therefore favoured economic growth in western Canada. As resource prices dropped and central Canada came out of the recession of 1981-82, economic growth centred in central Canada and the western provinces were essentially stagnant. Of course, this regional economic story is masked by examination of Canadian macroeconomic aggregates.

After examining the presented statistics, it is hard not to reach the conclusion that regional economic growth patterns are becoming increasingly divergent in the 1980s. Some of this worsening may be attributed to particularly severe external shocks; the drop of world oil

prices from nearly \$40 to nearly \$10 U.S./bbl. is one example. But, as amply demonstrated, some of the blame must fall on the shoulders of the federal government. For instance, industrial policy has favoured central Canada at a time when that region is already booming. There is also the case of the National Energy Program, which demonstrated that the resource price problem may not be symmetric in the minds of politicians. When the world price of oil was high the federal government was willing to take revenue from Alberta, but when it dropped there appeared to be no help forthcoming for some significant period of time. One can see here the economic roots of the kinds of political fights between central Canada and the West that we have been experiencing in Canada.

By far the most thought-provoking sections of this book, and those that are already leading to more research, are those that deal with the regional impact of monetary and fiscal policy. First, consider monetary policy. The long depreciation of the Canada/U.S. nominal exchange rate is usually assumed to be of benefit to all exporting sectors of the Canadian economy. However, if one calculated the real effective exchange rate with respect to several different countries, a startling result emerges. This measure has depreciated with respect to manufacturing countries but appreciated with respect to resource-producing countries. Therefore, the terms of trade have moved in favour of central Canadian manufacturing industries and contributed to the boom in that region while, at the same time, the terms of trade have moved against the resource-producing sectors and contributed to their downturn.

A second and more direct measure of regional policy stance is found in calculating the regional impact of federal fiscal policy. The measure used in this book is the excess of federal taxation over spending for each province. If this measure is positive for any province, it means that the government has been taxing more than it is spending, causing a net drain on that province. There are figures presented on this measure for each province for the years 1975 and 1980-84. There are two conspicuous results to emerge from these data. First, this measure has been positive for Alberta for each year. Second, this measure has been negative for every other province for the years 1982-84. These results support the hypothesis that federal fiscal policy has been counter-cyclical for every province except Alberta, Ontario and Quebec. The federal government appears to have been contributing to the recession in Alberta while at the same time contributing to the boom in central Canada.

There is no question that these are important results. Understanding the regional impact of fiscal and monetary policy is crucial to any government that espouses policies of regional fairness. What is needed here, however, is some quantitative measure of how much of the

impact of these policies can be ascribed to discretionary policy. The federal government can and does control the level of the nominal Canada/U.S. exchange rate in the short run. The ability and/or desire to control the level of the real effective exchange rate is certainly open to question. This is a difficult policy concern for a country like Canada, as it is almost impossible to devise a regionally balanced exchange rate policy. As for the fiscal policy measures, perhaps what is needed here is some concept of federal full employment surplus, calculated for each province.

A potentially more serious criticism of the fiscal policy results is that they only measure the direct effects of fiscal policy, while there are indirect effects that have potential importance. In a recent paper, Mansell and Schlenker suggest that the raw data be adjusted to account for three indirect effects. These adjustments reflect: (1) the fact that most financial institutions are located in central Canada and therefore a great deal of the interest payments on the federal debt gets recorded there, when in fact it is eventually allocated elsewhere; (2) federal indirect taxes are recorded at location of production, when in fact they are paid by consumers; and (3) there are fiscal transfers associated with regulated pricing for oil and gas. Mansell and Schlenker present results for the regional impact of federal fiscal policy, which corrects for these three items. The substantive quantitative changes that result from these adjustments reinforce the above Alberta *versus* central Canada theme. Ontario has a larger negative net balance for every year (with the exception of 1985, which is still negative but lower in absolute value) since 1977. Alberta has a larger positive net balance for every year. For the years 1980-82, when world energy prices were high, the corrected net balance for Alberta was almost triple the uncorrected net balance, which, of course, is a measure of the impact of the National Energy Program. Viewed from this perspective, this book could possibly be understating the perverse regional impact of federal fiscal policy.

Given all of the above, a fairly clear picture emerges from this book. The cyclical imbalances of the Canadian economy are resource-based and lead to a see-saw pattern of growth between central Canada and the rest of the economy. Instead of stabilizing these regional imbalances, the impact of federal government policies has been to exacerbate some of them. It is this observation that makes the policy recommendations contained in the book seem somewhat misplaced. The major thrust of the policy recommendations is that the free market system, when allowed to operate without interference, will send the proper signals for increased interregional migration of resources; therefore, government policy should aid this migration. This sort of recommendation is consistent with the Macdonald Commission and with the current free trade initiative. It is clear that government policy

that attempts to give aid to a region that is in an economic slump will extinguish market signals for factor mobility. This is the crux of Canada's regional problems. From an economic perspective we may be able to document the extent of regional economic diversities, and from a political perspective government policy is presumed to be designed to lessen these divergences. However, these two are in conflict. Consider, for example, the current situation. Ontario is booming and market signals say that factors of production should migrate to Ontario. No matter how it aids the macroeconomic statistics, this will not prevent other regions from continuing in an economic slump. This, of course, is a classic politics *versus* economics argument. The types of policy recommendations contained in this book make very good economic sense, but if a government is wedded to regionally balanced growth, then almost by definition this will involve policies that will extinguish market signals for labour migration. This would appear to be the main policy challenge in the future.

F. J. Atkins
Department of Economics
The University of Calgary

Réanimation urbaine et pouvoir local. Richard Morin. Montréal, Presses de l'Université du Québec/INRS-Urbanisation, 1987; 173 pages.

L'ouvrage de Richard Morin est conduit avec méthode et clarté. Et il est intéressant. L'auteur se situe lui-même, quant à la problématique, dans la mouvance nord-américaine de l'école néo-marxiste, qui refuse de considérer l'espace urbain comme exclusivement déterminant ou déterminé. Son échelle d'observation et sa démarche sont la comparaison de trois "vieux quartiers" pris, l'un à Montréal, le second à Sherbrooke et le dernier à Grenoble. Son objet d'analyse est les politiques de réanimation que l'on y pratique depuis un quart de siècle: forces en présence, enjeux, obstacles, stratégies et résultats. Son objectif, enfin, est la responsabilité de l'instance municipale dans la restructuration du tissu urbain, la spécificité de son rôle par rapport aux autres acteurs impliqués et, finalement, la consistance de ce qu'on appelle le pouvoir local.

Par delà les contingences qu'il n'élué nulle part, R. Morin retrouve dans les trois cas étudiés une illustration de schémas évolutifs connus. L'obsolescence des quartiers centraux, d'abord. Elle s'est produite en deux temps: une première fois avec le transfert de la croissance urbaine en périphérie d'agglomération; et une seconde fois lors du retour, mais vers certains secteurs limités seulement du centre-ville (notamment, le CDA/CBD), d'une partie des capitaux et des affaires.

Quant aux attitudes mises en place pour faire pièce à la dégradation des espaces touchés, elles prennent forme, successivement, de rénovation dans les années soixante, puis de réhabilitation au cours des décennies suivantes. La première, menée avec l'aide de l'Etat, vise à un remodelage en profondeur: il s'agit d'une véritable transfusion sociale, doublée d'une revalorisation symbolique et d'une rentabilisation de l'espace. La deuxième, s'oriente très différemment. Il n'est plus question désormais d'instaurer, mais au contraire de restaurer. Il faut préserver le cadre construit, recréer des équipements, susciter des emplois, valoriser toutes les formes d'urbanité. Ce revirement signe l'échec de la politique précédente, choquante souvent, coûteuse toujours. Mais il témoigne aussi, d'une certaine manière, de son utilité, puisqu'il prend appui sur le mouvement de "gentrification" et de requalification fonctionnelle que celle-ci a amorcé. En profondeur, néanmoins, il correspond à un tournant économique, sociodémographique et idéologique majeur. Le ralentissement de la croissance, la multiplication des ménages de petite taille, la tertiarisation accélérée de la société, la diffusion de nouvelles valeurs—attentives à l'environnement, à l'enracinement, au ludique—façonnent des couches moyenne d'un type inédit, candidates opportunes à la réanimation des vieux quartiers.

Les municipalités ne peuvent qu'apprécier la nouvelle donne. Leur projet sera plus aisé à atteindre. Sous sa forme triple, celui-ci demeure évidemment le même: il y a l'enjeu fiscal d'accroissement des revenus imposables (taxe foncière ici, taxe professionnelle là); l'enjeu du rééquilibrage de la ville-centre par rapport au reste de l'agglomération; et l'image de marque des édiles eux-mêmes, enfin. L'action politique consiste toujours, d'une part à aider au processus de revitalisation, d'autre part, à abriter les tensions sociales que celui-ci, inéluctablement, enclenche. Mais elle se heurte à bien des obstacles: insuffisance de moyens financiers, non-maîtrise des agents économiques, difficile question des périmètres d'intervention.

Si la réanimation des vieux quartiers a incontestablement gagné, en accélération des processus comme en atténuation des effets pervers, à l'intervention des municipalités, elle se serait probablement produite aussi sans elles, observe R. Morin. Car ses agents porteurs sont nombreux. La typologie habituelle, selon les classes et fractions de classes, ne cerne pas le mieux les véritables protagonistes du changement spatial à une échelle si réduite. Ce sont des groupes sociaux fondés sur d'autres rapports que les rapports de production qui constituent les chevilles ouvrières du mouvement.

La conclusion de l'auteur sur la nature du pouvoir local s'inscrit dès lors parfaitement dans la ligne de ses présupposés de départ. Le pouvoir local ne se réduit ni au jeu des forces nationales dans le champ

local, ni à l'échelon politico-administratif municipal. C'est, écrit-il, "le jeu des pouvoirs qu'exercent sur la scène locale différentes forces internes et externes". Autrement dit, quelque chose de spécifique. On rejoint, n'en déplaise aux néo-marxistes, la problématique weberienne des faits sociaux que défend avec brio R. Boudon.

La limite la plus notable, et en même temps la plus intéressante du livre, Richard Morin la souligne lui-même à différentes reprises : il n'est pas sans artifice, au niveau de l'observation, d'isoler un quartier, car les frontières effectives des unités socioéconomiques, comme celles de l'action politique coïncident rarement avec celles du découpage opéré. Au titre des réserves, encore, j'aurais celle d'un commentaire bien trop cursif sur la relativité de l'échantillon retenu de trois villes. Au plan des regrets, je mentionnerais l'absence de référence au modèle du cycle urbain de Klaassen, dont le présent livre illustre poutent, exemplairement, la dernière phase.

Jean-Lux Piveteau
Université de Fribourg (Suisse)