

THE POST-INTERVENTIONIST CITY

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The contemporary American city serves as evidence of "government failure" and as a focal point for crisis mongering. In this paper I argue why it is important for Americans to reject the "city as crisis" syndrome and to move to a view of the city as an increasingly malleable landscape formed by the dynamics of market processes and dotted with opportunity. Such a city is most responsive to human aspirations when government is least intrusive. At no point do I argue that the market provides an immediate remedy to all human conditions I wish to see improved. No do I argue for the dissolution of government, though I do favor drastically diminished government intervention in the cities, both to improve the potential for economic performance and to secure greater personal liberty. A freely operating market cannot guarantee relief from all that ails humankind, nor can governments through the employment of coercive powers. In contrast to government, however, the market will enlarge opportunities for *voluntary* exchange, stimulate private initiative, and promote the growth of consumer-oriented production. Moreover, individuals who are less burdened by government may be more responsive to ethically based appeals for voluntary contribution to the redress of conditions each finds offensive.

I contend that an entirely different way of thinking about the nature of urban conditions is required to improve the urban environment, one which emphasizes the pursuit of possibilities over the promotion of problems. The open-ended search for possibilities in an infinite universe is a dramatically different approach than the search for appropriate adjustments to received conditions which are assumed to be functionally finite. The first is a market view requiring freedom;

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the second is political, requiring intervention. Lachman senses this difference in his recent remarks comparing Austrian economic thought with Keynesian interventionist approaches.¹

The "urban crisis" vanishes before our eyes as we adopt a view of the city as a concentration of people and property, each with varying mobility over time, rather than as an organic entity that requires external resources to support it when it is "ailing," or which may be tapped when it is "well." If we consider the landscape as a continuous surface of opportunity across which we search for satisfaction, it is hard to regard cities as sacred spaces for which the rules of the search should be suspended or altered to favor one individual or group over another. Yet that is precisely what is sought through the political process.

The "urban crisis" is a contrived concept that requires one to accept cities as organic wholes that should be prevented from decaying (loss of population and purchasing power and actual physical deterioration) or disappearing altogether. Those who promote this concept of urban immutability hold their mission of saving the cities to be sufficiently important to warrant the coercion of others in its achievement. The great promoters of "crisis" thinking are the politicians and bureaucrats who thrive on the electorate's fear of imminent devastation which can only be averted by adoption of their programs. They are incredulous when challenged on the sacredness of urban places, the piety of their supporters, or the purity of their own intentions. Of course, many political and bureaucratic careers depend on widespread and deep belief in the "urban crisis," which requires their brand of intervention.

Apart from the therapeutic injection of positive thought into an essentially negative forum, one hopes that this paper will encourage individuals to confront the crisis mongers to demand a premise for their argument.

The intent of this paper is to urge a replacement of the popular paradigm of "urban crisis" with one of "opportunity," to create the "post-interventionist city." Creating such an environment depends on the general acceptance of ideas like those expressed in this paper. The post-interventionist city would require dramatically reduced government intervention in the social and economic life of urban Americans, indeed, more than is implied in the New Federalism of the Reagan administration.

¹"Austrian Economics: An Interview with Ludwig Lachman," *Institute Scholar* 2 (February 1982):6.

But why is the city the focus for this discussion? Is not the issue of government intervention pervasive? One might answer by quoting Hayek's assertion that "almost all that distinguishes civilized from primitive society is intimately connected with the large agglomerations of population that we call 'cities,' and when we speak of 'urbanity,' 'civility,' or 'politeness,' we refer to the manner of life in cities"² But more than an appeal for civility, we can offer two reasons that sufficiently justify our focus on the city. The first is simply that America is a nation of urbanites, the vast majority of whom live in cities and who are chiefly affected by government action. The second is that cities are relatively compact areas wherein the effects of government policy may be observed in the actions of city dwellers and in the creation or destruction of capital.

Cities have been the nexus of human interaction for nearly 10,000 years, and their persistence is testimony to the value of information. Concentrated information, as one finds in cities, presents many possibilities. Possibilities promote choice. Individual exercise of choice is liberty, but liberty may be sustained only if constrained by a rule of non-injurious action toward the property and person of another. Cities offer both choice and a complex challenge to human organization to assure individuals the protection of their rights. How these choices are exercised and how methods for protection of rights evolve depend upon the degree of flexibility in the rules adopted by society.

In the remarks that follow I discuss the "city as crisis" as a replaceable paradigm, focusing first on contemporary urban conditions and on central authoritarian responses, left and right. I then turn to the outline of a post-interventionist city and the consequences of its adoption.

The Urban Crisis

The concept of an urban crisis has proved to be a useful political idiom for at least 20 years. Blair and Nachmias cite Senator Abraham Ribicoff's 1966 testimony in this regard. "The crisis of our cities is the crisis of the modern United States. Seventy percent of all Americans now live in or close to cities. The number grows each year. So the fate of the city and the future of our country are one and the same thing."³

²Friedrich A. Hayek, *The Constitution of Liberty* (Chicago: Chicago University Press, 1960), p. 340.

³John P. Blair and David Nachmias, *Fiscal Retrenchment and Urban Policy*. Urban Affairs Annual Reviews 17 (Beverly Hills: Sage Publications, 1979):11.

The urban crisis basically refers to the decline of central cities since 1950 in terms of population, taxable wealth, and public services and the increase in unemployment, crime, and publicly dependent individuals as well as a host of associated social pathologies. The idea of urban crisis has come to mean much more since various interest groups have found it a convenient catch-all: Issues facing the aged, racial minorities, or immigrants are collected, repackaged, and magnified in urban crisis terminology as though being part of a larger category will lend additional credence to arguments for wealth transfer.⁴ That these arguments have had a dramatic effect is made evident in estimates of the federal urban budget, which went from \$3.3 billion in 1967 to \$53.7 billion in 1979.⁵

In March 1979 the Subcommittee on Fiscal and Intergovernmental Policy of the Joint Economic Committee held hearings entitled, "Is the Urban Crisis Over?," largely, in effect, to assert that it was not.⁶ The hearings were provoked by a spate of news articles, principally a *Harper's* piece by T. D. Allman, which suggested that fiscal conditions in central cities were improving.⁷

Congressman William Moorhead, a Democrat from Pennsylvania and chairman of the subcommittee, concerned with the oversupply of good news, stated that he was "deeply disturbed that many press articles have presented a misleading picture of our cities . . ." and ". . . the recent media attention to the fiscal condition of cities is misleading and may jeopardize both the existing and future Federal programs to assist cities."⁸ "Crisis" consultants George Sternlieb and Thomas Muller were joined by other self-interested parties such as Robert Embry, then assistant secretary at the Department of Housing and Urban Development, Ronald Brown of the National Urban League, and Congressman Sedgewick Green of New York's 18th congressional district.

Each repeated the litany of despair over the urban crisis and each reasserted the need for federal intervention to save the cities. Green attacked "The New Partnership" of President Carter as rhetoric which had not led to improved conditions. Brown called for a 12-point

⁴William W. Goldsmith and Michael J. Derian, "Is There an Urban Policy," *Journal of Regional Science*, vol. 19, no.1 (1979):94.

⁵*Ibid.*, pp. 97-99. The authors are appropriately cautious in their estimates and point out the difficulty of any such estimation.

⁶Joint Economic Committee, 96th Congress, March 20, 1979, *Is the Urban Crisis Over?* (Washington: Government Printing Office, 1979).

⁷T. D. Allman, "The Urban Crisis Leaves Town," *Harper's*, December 1978.

⁸Joint Economic Committee, p. 2.

program of special federal attention to the urban poor, including a strong anti-displacement policy to forestall the pressures for the poor to move from the central city; Sternlieb argued that "not only is there a poor population which is a ward of the State in all forms, but increasingly the major cities, which were the children of business, are now the ward of the State."⁹ It is hardly a surprise that Embry, a federal bureaucrat with as much at stake in the persistence of an urban crisis as the urban congressman, the lobbyist, and the consultant, would conclude the hearing with a ringing statement that "we [the government] do not accept the proposition that we must write off areas of the country [central cities] that appear to be uneconomic . . ." and "we cannot adopt a policy that assumes that everyone has infinite mobility, that everyone can move from distressed areas to non-distressed areas because that is just not true in terms of education, resources, motivation, and family ties and neighborhood ties, and many other circumstances."¹⁰ In other words, the federal government will work to keep uneconomic areas afloat and subsidize those who wish to remain there. In his prepared statement Embry says:

. . . numerous American cities are still confronted by serious internal difficulties. We cannot wish or write them away. Instead, we must honestly address them. Solutions, however, may not always be readily apparent, given knowledge, resource, and institutional constraints. Nevertheless, by wisely using the resources and information at hand, we can continuously perfect or improve upon urban policies, strategies and programs. As President Carter has stated, "We reject the possibility of failure. We must commit ourselves to a long term and continuing effort to meet stubborn urban problems and changing needs."¹¹

Their solution, then, is to redouble governmental efforts to find the right combination of public interventions that will save the cities. By "rejecting the possibility of failure" one invites infinite central authoritarian tinkering. Further, it rewards failure at the expense of success.

When President Carter's Commission on an Agenda for the Eighties delivered to him a nine-part report in his last days in office, one of the reports was rejected. *Policies and Prospects for Metropolitan and Non-Metropolitan America*, prepared under the guidance of Donald Hicks, spelled out a policy message that countered much of

⁹Ibid., p. 98.

¹⁰Ibid., p. 104.

¹¹Ibid., p. 15.

what remained of that administration's urban policy.¹² The rejected report was flawed in its persistent urging of a stronger federal role in the lives of individual Americans. It did a great service, however, in providing us with a dynamic view of cities in contrast to the conventional static view, which fostered the urban crisis mentality. As a result, urban special interests were stung and a brief, but heated, national debate ensued. Mayors such as Koch of New York City vigorously attacked the report.¹³

Leaders of various urban action groups and lobbying organizations lashed back immediately, but with the change to a new administration, whose urban policy was yet to be articulated, the furor subsided for a while. The clear lesson from these events is that many groups and individuals have a special interest in maintaining a belief in an urban crisis because their livelihood depends on it. In this sense the "urban crisis" differs little from the sundry international threats and "crises" which require our greater adherence to government and our greater expenditure of wealth for their prevention or mitigation. The crisis syndrome is not limited to cities, of course, but it is instructive to watch how its urban manifestation is kept alive.

As the Reagan administration's "New Federalism" has emerged, most of its urban intentions have not been specifically identified. The Enterprise Zone Proposal is an exception and will be discussed later. This lack of explicit policy has been criticized by those who have a stake in having a federal response to their particular urban crisis. The *New York Times* editorial page has hosted a variety of pleas for an urban policy since the advent of the New Federalism. The day before the Reagan inauguration, Enrique Arroyo, executive director of the Puerto Rican Congress of New Jersey, argued that urban policy in Carter's New Partnership had been as great a failure as urban policies in previous administrations. He added that Reagan's policy was likely to be a failure too because more and better federal urban policies were needed.¹⁴

George Raymond, head of a community planning consulting firm, added his call for a rational urban policy without explaining why such a policy should exist.¹⁵ John Lindsay asserted that "the central

¹²Report of the Panel on Policies and Prospects for Metropolitan and Non Metropolitan America. President's Commission for a National Agenda for the Eighties, *Urban America in the Eighties* (Washington, D.C.: Government Printing Office, 1980).

¹³Clyde Haberman, "Koch Administration Assails Plan for U.S. Aid in Sunbelt Migration," *New York Times*, December 29, 1980.

¹⁴Enrique Arroyo, "Federal Urban Non Policy," *New York Times*, January 16, 1981.

¹⁵George M. Raymond, "Rational Urban Policy," *New York Times*, March 5, 1981.

governments of most of these countries [in which major world cities are located] assume direct responsibility for their cities' well being. Our Federal Government must play the same role – and play it well.”¹⁶

Former Great Society warrior Marshall Kaplan, who re-enlisted in the “New Partnership” as a deputy assistant secretary at HUD, stated, probably unknowingly, the basis for the central authoritarian agenda for urban policy:

The Administration's existing and proposed block-grant programs, and its “New Federalism” proposals to transfer social-service programs to the states, do not reflect equity. Because there are no Federal standards governing distribution of funds to the needy, elected officials will not be able to allocate money to the poor and still stay in office. Their political life will be made harder by cut-backs in funds for programs folded into the proposed block grants and for programs that would be transferred to the states.¹⁷

Supplement these remarks with the blunt ideas of Neal Pierce, syndicated columnist at the *Washington Post*, who favors government intervention at every urban street corner to prevent what he sees as the inevitable rise of urban guerrilla groups and the eventual urban explosion.¹⁸

Central Authoritarian and Libertarian Perspectives

Let us consider in detail the arguments for the central authoritarian agenda, which advocates a politics of permanency, and contrast it with the libertarian proposals for the abandonment of intervention in favor of market processes and a commitment to change.

We have noted that the spokespersons for the “urban crisis” are many: city mayors and members of congress from urban districts, consultants and academics who offer advice which purports to solve problems, government bureaucrats whose positions depend on an unremitting view of society out of kilter, and political activists who seek to promote “equitable” distribution of other people's wealth at any cost. Add to these a cadre of socialist theoreticians upon whose arguments the “crisis” proposals and programs must be founded. I shall call this group “central authoritarians.”

What distinguishes this group from libertarians is not their urge to influence human action, because that is common to everyone, but it is their willingness to employ coercion to achieve their ends. The employment of coercion is almost always done in the name of some

¹⁶John V. Lindsay, “Shaping Urban Policy,” *New York Times*, February 5, 1981.

¹⁷Marshall Kaplan, “Adding to Urban Problems,” *New York Times*, April 6, 1982.

¹⁸Neal Peirce, “Are Cities Ready to Explode Again?,” *Dallas Times Herald*, April 25, 1982.

putatively higher ideal than individual liberty, but the outcome is always meant to satisfy the taste of the coercer over those who are coerced. A second, more fundamental difference between the central authoritarians and libertarians is in the concept of order: Libertarians thrive on the constant unfolding of choice as new ideas infuse and enrich society, and these successive states are regarded as order. Central authoritarians regard these dynamic processual recombinations as chaos, which requires the imposition of order through controlling institutional structures.

Some central authoritarians may acknowledge the superiority of free markets for achieving economic progress. They will argue, however, that the cost of this approach in terms of negative externalities and equity is too great for society to tolerate. Thus, the authoritarian emphasis is on central (rather than individual) planning. Under such a regime preferred "rational" models of order are established and individuals must perform within the model parameters or be declared outlaws. In the city this might mean government-imposed zoning and other land-use regulation, or rent controls.

Those who have grappled with the externality issue have not found it easy to solve. Hayek acknowledges the difficulty of property rights solutions to externalities in cities in his work *The Constitution of Liberty*, even remarking that "the city, which is the source of nearly all that gives civilization its value and which has provided the means for the pursuit of science and art as well as of material comfort, is at the same time responsible for the darkest blotches on this civilization."¹⁹ That a universally satisfactory answer of how to require individuals to pay for the costs they incur to others has not been achieved in the urban marketplace does not automatically argue for a solution requiring more government-administered controls and regulatory standards. Indeed, the opposite may be more useful. Hayek writes:

There is probably no perfect answer to the real difficulties which the complexity of the problem creates. But only a method which operates mainly through the inducements and data offered to the private owner and which leaves him free in the use of a particular piece of land is likely to produce satisfactory results, since no other method will make as full use of the dispersed knowledge of the prospects and possibilities of development as the market does.²⁰

A dynamic economy will always generate novel externalities, positive as well as negative, and a better defined set of property rights with rules of strict liability allows for flexible, incremental adjust-

¹⁹Hayek, p. 341.

²⁰Ibid., p. 352.

ments by all parties. These spontaneous solutions may proceed with the future in mind rather than relying primarily on the retrospective search for solutions to analogous (but never identical) questions in the past.

Concerning the second objection, the equity issue, there can be no dispute because a level of welfare not derived through market processes is a matter of taste. The libertarian can only answer that the act of sharing is legitimate as long as it does not violate anyone's rights. What is objectionable, of course, is the coercion of individuals to subsidize someone else's enthusiasm to share.

Taste, Choice, and the Urban Environment

Beyond the satisfaction of our material desires, each of us seeks to clothe our existence in a fabric of aesthetic quality woven from the threads of our various tastes and values. As with all of our attempts to satisfy our desires, we are delighted to reduce our expense by finding the objects of our desire provided by someone else. We are content to be "free riders" and remain so until the other person's property rights are discovered and enforced. In our home we generally control our surroundings at our own expense. In the case of neighborhoods and cities, our control is less complete, but my taste for clean streets, good housing, and no violent crime might lead me to seek out those sites where these conditions prevail. Believing the quality of my taste to exceed all others, I then seek to maintain or improve the conditions around me to suit me and to remedy the deficiencies in the tastes of others.

If I am a libertarian, persuasion is the acceptable mode of change. The power of my example or my arguments are the instruments of change, and the extent to which they can be seen or heard are real constraints on their effectiveness. The achievement of my tasteful environment may be slow because others may harbor the same high estimation of their own tastes as I do mine. Thus we all must engage in a mutual contest of virtues which may converge or remain disparate. Convergence may be slow; and if I am impatient, I might test my neighbor's virtue by offering to buy him out, or attempt to effect some Coasian bargain which alters his property or behavior to my liking at my expense.²¹ Alternatively, I can look elsewhere for more suitable surroundings and offer my property for sale. Whatever happens in this situation, I know I have not impaired my neighbor's

²¹Ronald Coase, "The Problem of Social Cost," *Journal of Law and Economics* 3 (October 1960):1-44.

choices; indeed, I have expanded them. In so doing, I have maintained or increased the guarantees of liberty in society.

I could take another tack by aggressively asserting the superiority of my tastes and trying to convince at least half of the voters in the city that we share these tastes (or some improved compromise), and that it is in the "public interest" to establish tasteful surroundings not only for ourselves but for others who will thereby be enlightened.²² The mode of action would be coercion in the form of zoning or other land-use controls and amenity codes. The instrument of coercion would be majority voting, and the constraint would be the effective power of the State to transfer resources from minority voters to middlemen for the creation of the environment desired by the majority voters (or coercers).²³ These middlemen are the public bureaucrats whose livelihood is also a shared expense involving wealth transfer for their salaries. This procedure involves two major harms to society: (1) It reduces the liberty of those whose resources have been confiscated to suit another's taste; and (2) It further encumbers the future choices of all by the amount of resources expended in order to purchase the services of the public employees.

We are all aware that there exists a kind of calculus of consent among urban dwellers, as hedgerows are traded for highways and parks for parking garages. These trade-offs are supposed to work in a democratic society to the benefit of all (the public interest), and the price we pay for the middlemen is said to be justified by the insurance of no free riders and access for all to the jointly funded surroundings. There is little doubt, given the methods of urban public finance and the distribution of public goods, that those who pay would not purchase the identical bundle without being coerced to do so.

Many have labored long to formulate a set of rules and to establish a cadre of monitors to assure the distribution of benefits. The growth of the legal profession is testimony to the strength of this mode of taste fulfillment. A substantial proportion of this profession may be thought of as public employees who have a significant interest in the expansion of the State. This is unfortunate because a regime of strictly regarded property rights would require their services in equal measure.

²²For a fascinating and insightful case study of the imposition of elite taste on Vancouver, British Columbia, see David Ley, "Liberal Ideology and the Post Industrial City," *Annals of the Association of American Geographers* 70 (June 1980).

²³Thomas Sowell, *Knowledge and Decisions* (New York: Basic Books, 1980), p. 202. Sowell writes: "Looked at another way, zoning allows some people to impose their values and life-style on others who may not share the values or be able to afford the lifestyle."

A third approach to the establishment of a tasteful urban environment is to extirpate all who do not share my taste and to confiscate their property directly for my satisfaction. This ultimate coercion obviously reduces liberty and requires a substantial investment of resources to effect the program as well as to protect its initiators from those who violently disagree. Instead of a thriving law profession, weapons manufacturers, undertakers, and florists would prevail. There is, of course, no logical end to this coercion save oblivion. Those who do not believe the awful reality of this approach need only consult the remaining living residents of Hama, Syria, or Kampala, Uganda.

Each among us has tastes we are proud of and would like to have accepted as the model or principle on which our surroundings are predicated. The imposition of my tastes on others, however, will surely cost me in terms of loss of liberty in society and in wealth for the support of bureaucratic middlemen.

The City Today and the Politics of Permanency: A Replaceable Paradigm

The expected life span of an American in 1900 was 47 years while the expected life of a downtown building was 75 to 80 years and a home, 50 to 60 years.²⁴ As we approach the end of the century, the expected life span for an American is 73 years, for a downtown building 67 years, and a suburban home probably less than before.²⁵ These gross measures veil a more complex reality but they do indicate a basis for change in perspective on permanency. The individual is born into a built environment which we may assume, on average, to be half worn out. This means that for someone born at the turn of the century about half of the structures were replaced in a lifetime. For the person born in 1980 all of them will be replaced before the end of an average American lifetime.

I do not know whether this indicates an appreciation of people over property or is merely a reflection of the ineluctable process of the articulation of land values by the market. What does seem clear is that cities, their physical structures as well as their populations, are more mobile than ever before. Flesh and stone alike appear to be more responsive to the choices offered by the market, itself stimulated by the profoundly disruptive forces of changes in communications and transportation.

²⁴Office of Tax Analysis, U.S. Department of the Treasury, *1978 Compendium of Tax Research* (Washington: Government Printing Office, 1978), p. 96; and Larry S. Bourne, *The Geography of Housing* (New York: John Wiley and Sons, 1981), p. 29.

²⁵*Ibid.*

This mobility is becoming more characteristic of firm behavior. The economics of spatial relocation to capture the moving target of optimal return on investment requires a constant recalculation of land values, transport costs, communications improvement, and the locational behavior of suppliers, purchasers, and competitors. This is particularly true for cities as they change from an industrial to a service-oriented economic base. Fast-food chain outlets, supermarkets, beauty salons, and countless other service firms are locationally unstable in the scramble for profit. The result of this unsettling behavior is a net benefit to the consumer as more efficient locations are found. This is the physical response to demand.

Mobility in firm behavior is not confined to service activities. Industries shift locations, albeit more slowly and over greater distance.²⁶ The decisions behind these moves are not whimsical. Indeed, the improvement in the ability of the firm to re-establish at a new site is a benefit to producer and consumer alike. Against this backdrop of market-responsive movement is played a politics of permanency which would maintain routine patterns. The politics of permanency argues that the public interest requires chaining firms and people to places to reduce uncertainty in zones established for their functions. The question is begged "For whom shall uncertainty be reduced?" and one suspects it is chiefly for politicians who desire to encumber this mobility in order to preserve established constituencies within defined, jurisdictional boundaries for tribute. It would also diminish the costs of informing newly arriving, potentially nonconforming immigrants of their expected fealty.²⁷ Alternatively, pleas are uttered to incorporate in one political unit individuals and corporations that have moved beyond the boundaries; hence, we have attempts to establish metropolitan government.

But does it all work in this ignoble way? These broad perspectives cry out for confirming examples, of which there are many. We shall consider four: historic preservation, enterprise zones, hostage industries, and residency requirements. These four situations represent the propensity to insulate the city from change. Land use and zoning controls, rent controls, various federal government transfer programs,

²⁶Michael Hora suggests that given rapid technological changes, there may be "throw away factories" in the future. He says that the plant or the product produced could become obsolete within five years of construction and would be abandoned. See *Plant Engineering* 36 (February 4, 1982):42-48.

²⁷The importance to politics of limiting movement is recognized in George S. Tolley, Philip E. Graves and John L. Gardner, *Urban Growth Policy in a Market Economy* (New York: Academic Press, 1979), p. 3.

direct federal investments, investment guarantees, and state and local government actions often contribute to the maintenance of old patterns and relationships.

Advocates of change, like "developers," are cast as unsympathetic and avaricious sacrificers of community values for their own profit. Increasingly, the power of the State, through its courts, is used to slow the pace of change or to insure the unpaid-for incorporation of other's values in any action. For example, in San Francisco the Office of the Mayor has ruled that for a developer to win approval for an office development the firm must contribute to construction of low- and middle-income housing in the city.²⁸ One result of this policy has been for successful firms that are considering expansion to move to the suburbs beyond municipal control.

There is, of course, no reason why those who wish to preserve the city as it is or to recreate it in a previous image cannot join in their enterprise to outbid the developers. They have done so at times; but time and again they have resorted to the politics of permanency and the coercion of the State to resist change because they cannot summon enough uncoerced resources to meet their ambitions. They argue that the "public interest" will be hurt if this change or that alteration is allowed to take place. They argue that "something" will be lost irrevocably or the welfare of groups they favor will be injured. The reason usually given for their inability to generate the resources to pursue their whims is that some investments are too large for the private sector, which is another way of saying that not enough willing individuals share their vision of good taste. Whether their vision is in good taste or not is always disputable. The fact that a private entrepreneur, rather than public officials, brought the London Bridge to the Arizona desert, for example, casts doubt on the financial integrity of these arguments. And the multitude of private preservation and restoration efforts, not to mention enormous private developments, refute them entirely. Nevertheless, in a society increasingly accustomed to the separation of fiscal responsibility from human action, the urge to spend someone else's money is overwhelming. Consider the following examples.

Historic Preservation

With few exceptions, historic or landmark preservation illustrates the powerful force of cultural elites who impose their tastes on the

²⁸Muriel Dobbin, "San Francisco's Housing Policy Called Blackmail," *Dallas Times Herald*, March 28, 1981.

landscape at the expense of the general public. City after city has been confronted by small groups of architectural aesthetes who are as highly organized as they are both righteous and wealthy. In city after city these groups have succeeded in stalling, or permanently freezing, the pace of physical and functional change. In the name of "heritage" or "culture" or "a livable city," and invariably "in the public interest," preservationists seek to legislate "charm" for others. Often substantial private funding is contributed for matching with public resources, but rare indeed does private funding alone provide for renovation of entire historic districts or even major buildings. Support from such generous preservationists is also directed at private institutions such as the Preservation Society and the National Center for Preservation Law, which helped to organize the preservationist agenda and to lobby for their interests. Those in the preservationist vanguard are often individuals of substance whose opinions city politicians and bureaucrats find difficult to ignore.

Even at the national level the influence of these elites can be felt as restoration of funding is sought from Congress for the National Trust for Historic Preservation. After 15 years of federal subsidy, which reached a peak of \$60 million in 1979, the Reagan administration has proposed to end all federal support. Among the Trust's programs that will feel the impact are: the Inner-City Ventures Fund set up to encourage new revitalization approaches for low-income neighborhoods; the National Mainstreet Center, a program to help small towns restore their main streets; and the Endangered Properties Fund, a source of emergency money to be used to ward off economic development activities which would threaten "a property of national significance."²⁹ Whose tastes were served by these programs and at whose expense?

Some of the impact of the drop in direct federal aid has been assuaged prospectively through congressional action. Beginning in 1982 individuals may receive a 25 percent tax credit for rehabilitation of certified "historic structures" in any qualified "historic district."³⁰ Owners of more than a thousand buildings in an expensive section of Manhattan are likely to qualify for these write-offs.³¹ These new rules follow the already generous write-offs available for rapid amortization.

²⁹Michael L. Anslie, "Historic Preservation Zero Funding," *New York Times*, March 27, 1981.

³⁰Maurice Carroll, "Historic Status May Yield Tax Break," *New York Times*, September 28, 1981.

³¹*Ibid.*

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In New York City the Landmarks Preservation Commission regulates more than 15,000 buildings, which include about two percent of the city's housing stock.³² It has conducted an Urban Cultural Resources Survey, which performed the uncommonly insensitive public service of declaring certain buildings to be "culturally worthy of protection"! The survey apparently had the defect of being carried out *before* Art Deco came into vogue, so it must be reworked.³³

Miami Beach was not so fortunate. Art Deco enthusiasts of the Miami Design Preservation League, using the authority of the National Register of Historic Places, succeeded in identifying more than 800 buildings in a 125-block district as genuine examples of Art Deco in need of protection.³⁴ The conflict that has developed between selected aesthetes and property owners who are seeking to redevelop the area is narrowing to a compromise in which an Art Deco district will be designated to include only 250 of the original 800 buildings.³⁵ This compromise results not only in the denial of the full exercise of property rights of some individuals to satisfy the whimsical tastes of others, but it is achieved only by the use of federal funds to buy off the intransigent property owner. The process of regeneration of activities on the site is forestalled or forgone.

Not even Dallas, a city widely regarded as tastelessly ahistoric in its development binge, has been immune to the designs of the private Historic Preservation League, expressed through the city's Landmark Committee. Recently an \$80 million, 54-story office building in downtown Dallas was denied a permit because it would require tearing down two old buildings on the site.³⁶

It is not that historic preservation is bad, or even Art Deco for that matter (as a child I greatly admired Spokane's Benewah milk store which was shaped like a milk bottle), but the fact remains that these tastes are too particular to warrant competing for valuable urban space. What might be a charming remnant of the past when protected by private individuals who cherish the structure becomes a hideous monument to the disregard of human rights when property owners are required to adhere to the standards of taste set by small, insen-

³²A. O. Sulzberger, "Landmarks Unit Adopts Bolder Tack," *New York Times*, September 20, 1981.

³³*Ibid.*

³⁴Jo Thomas, "Miami Beach Conflicts Pit Developers Against Lovers of Art Deco," *New York Times*, March 26, 1982.

³⁵*Ibid.*

³⁶Terry Maxon, "Landmark Panel Stymies Skyscraper," *Dallas Times Herald*, April 14, 1982.

sitive groups willing to invoke the coercive power of the State to enforce their whims.

Enterprise Zones

Consider President Reagan's proposal for enterprise zones. Imported from Britain, presaged in the free-trade-zone legislation of previous administrations, and bandied about for over a year, enterprise zones are apparently destined to be the centerpiece of the administration's urban policy. Essentially the proposal would suspend certain troublesome federal, state, and local regulations in bounded spaces for the purpose of encouraging new firms to rise from the ashes of burnt-out inner cities. There is some indication that rural areas and Indian reservations may qualify too, but it is generally viewed as chiefly an urban program targeted at the most depressed parts of the most distressed cities. Details of the proposal and debate on the efficacy of specific parts are the purview of other contributors to this volume. I will comment on a broader level.³⁷

At face value the Enterprise Zone Proposal is little more than the other side of the Carter administration's targeting of federal funds to "pockets of poverty."³⁸ Instead of federal largesse dumped into the social equivalent of "black holes," we find a federal program directed at the same points but with a severely reduced payload. Apparently the only major costs of the new program will come from identifying sites (25 a year for each of the next three years), monitoring, and forgoing taxes as the economy of the zones develop (essentially a tax holiday for a quarter of a century). This is such a dramatically different approach to urban problems and the "urban crisis," and so intuitively appealing at the micro level that it is easy to ignore its potential for catastrophe.

It is hard to imagine what catastrophe could issue from reduced government spending. In the broader perspective, however, enterprise zones appear to be simply another form of place-specific government intervention. They dislocate individual choices and misdirect the location pattern of activities to areas which otherwise could not sustain them. Thus, an enthusiasm for maintaining a specific location pattern is as pervasive under Republican leadership as it

³⁷For an interesting discussion from several perspectives, see the *Manhattan Report* 1 (April 1981), which is a special issue on urban enterprise zones.

³⁸U.S. Department of Housing and Urban Development, Office of Community Planning and Development, *Pockets of Poverty: Examination of Needs and Options*, HUD-CPD-449 (Washington: Government Printing Office, 1979).

was under Democratic leadership. It is no surprise that bipartisan backing is forthcoming.

Unfortunately, the enterprise-zone initiative is sure to be viewed as a major domestic “disinterventionist” action on par with the proposed leasing or outright sale of public lands. The prospects for positive results from urban enterprise zones, however, do not appear as bright as those attached to altered property rights in public lands. If the enterprise zone policy fails, the wide perception of it as a disinterventionist effort could result in a major setback for those who seek to reduce the role of government.

To cavil about enterprise zones does not help our search for urban opportunities. One can only urge that as the legislation is debated in Congress, some means may be found to build in a “spatial escalator clause” which automatically, and exponentially, allows the territorial expansion and eventual merging of enterprise zones. An example of an escalator clause might be to create 15 enterprise zones the first year, 30 the second, and 60 the third, continuing in geometric progression, instead of the currently proposed pace of 25 a year. Or individual urban zones might be allowed to expand their periphery one block in all directions each year if this is acceptable to those in contiguous blocks.

Along non-spatial lines, the community living in the zone might be given the option of suspending the most noxious regulation they have experienced since the last general election, and in this way, slowly dissolve the regulatory regime to the level that suits them. Such an escalator clause could speed the approach of a free society. The faster the zones are allowed to spread the less the damage to the spatial fabric of the economy. For this reason, it is particularly important to identify *non-urban* territories as enterprise zone candidates in the first selection and to develop appropriate spatial strategies to promote their eventual linkage to each other and to urban places.

Free To Close: The Industrial Hostage Issue

Another manifestation of the urge to fix people and property in places is the “free to close” issue facing firms in fading factory towns.³⁹ Debate has arisen over the responsibility of companies to compensate communities when they choose to relocate. Indeed, both Maine and Wisconsin have enacted laws – albeit ineffective ones – to require

³⁹Richard B. McKenzie, ed., *Plant Closings: Public or Private Choices?* (Washington, D.C.: Cato Institute, 1982).

compensation by departing firms.⁴⁰ Proposals for extended notices of plans to close, severance pay, free job retraining, and resettlement financing are part of the regular refrain of those who would use coercive powers to shift the costs from themselves to someone else. Who causes the cost? It is not the firm, which is merely responding to market conditions. Instead, the community members, when they decided to locate there, should have considered the possibility of the firm closing down or moving.

These attempts to recoup for the personal lack of provenance are taken a step further when the move itself is blocked. In New Haven, Connecticut, the city has tried to block a Corps of Engineers landfill operation in a suburban town, which would create a site for a major regional shopping mall. The city wants to retain retail shoppers in the downtown and deter investment by center city retailers in suburban shopping malls. Despite years of effort by the federal and state government, Ford Foundation funding, and the intellectual contribution of Yale University, New Haven apparently is not as viable a site as city leaders would like it to be. Civic spirit becomes tarnished when city leaders resort to coercion to achieve their ends.

Discussion of the utility of taking "industrial hostages" is sure to grow in cities facing the loss of firms, despite the economic absurdity of the action. For a city council or a state legislature to consider this issue seriously is tantamount to economic suicide since local firms considering a relocation will accelerate their plans, and new firms won't take the risk of future confiscatory action.

Public Employee Residency Requirements

A different, and potentially more pernicious, form of central authoritarian resolution of the central city/suburban tension is instituting residency requirements for public employees.⁴¹ This is an outright attempt to fix individuals, not just activities, to specific territories. Such action is not possible with private individuals, whose jobs are not in jeopardy, but procurement rules could possibly be adopted by a city government that would favor firms located in the city, or that would require the hiring of otherwise unemployable city residents.

In the United States, residency requirements for public employees were upheld in *McCarthy v. Philadelphia Civil Service Commission*

⁴⁰Samuel G. Freedman, "Connecticut Considers a Plan to Make 'Runaway' Industries Do More for Their Workers Than Say Goodbye," *New York Times*, March 14, 1982.

⁴¹Ronald Briggs and John Sommer, "The Residency Requirement as Public Policy," paper presented at the Western Social Science Association meetings in Albuquerque, N.M., April 1980.

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in 1976 after having faced many tests in lower courts.⁴² The arguments cited in their favor were clearly stated in *Ector v. City of Torrance* (1974).

In its decision, the state supreme court adopted every municipal interest argument that the city offered. The residency requirement bore a rational relationship to many legitimate state interests: reduction of residents' unemployment, promotion of ethnic balance in the city, availability of trained manpower in emergencies, reduction in employee tardiness and absenteeism, increased quality of worker performance, and the city's economic benefit from local expenditure of employees' salaries.⁴³

Add to this the argument that public employees also are counted for the city when federal grant formulas are applied.

The obvious counter to these arguments is that individuals are paid for their work, not their territorial allegiance. Unfortunately this has had little effect. In the Briggs and Sommer study cited above, 50 of the largest cities in the United States were examined. More than two-thirds had residency requirements and of those more than half introduced their requirements during the 1970s.⁴⁴ The incidence of requirements (keeping in mind the small survey population) was less than 50 percent in southern and western cities and nearly 90 percent in northern and eastern cities. The significance of this difference remains to be tested, but it is hard to avoid the conclusion that there exists a certain desperation to hold on to people when a city is deteriorating.

Why Pin Down People and Property?

Aversion to change, uncertainty, and risk may inspire in one the urge to "have things in their place," even to the point of forestalling change at considerable expense. Everyone has a threshold for tolerance of risk or uncertainty, and for those whose threshold is especially low it may be difficult to marshal sufficient personal resources to achieve a satisfactorily reduced level. For those individuals who remain dissatisfied, control over events is sought through the use of public resources.

In the examples of public employee residency requirements, and in the various approaches to central city renewal, we are witness to

⁴²Connie M. Hager, "Residency Requirements for City Employees: Important Incentives in Today's Urban Crisis," *Urban Law Annual* 18 (1980). This is an excellent review of case law on this subject.

⁴³Ibid, p. 210.

⁴⁴Briggs and Sommer, pp. 6-9.

the plunder of common pool resources (tax dollars) for the purpose of fixing individuals, property, and functions in locations or regions. Why? Is it to minimize the inconvenience to some who wish to remain at a site but who do not want to bear the cost of that decision, or to avoid the financial losses to individuals who did not have the foresight to move sooner? Despite protests that it is in the public interest to cling to the city as it has been, it is precisely this intolerance of change that is draining the vitality from our urban centers. This propensity for pattern maintenance reached Promethean proportions with the National Land Use Policy and Planning Act, which fortunately was narrowly defeated in 1974.⁴⁵ On an urban scale, land use plans, zoning laws, rent controls, and other dislocative non-market forces forestall the emergence of imaginative city forms and functions because they constrain spontaneous combinations. It is directly from these spontaneous combinations that economic vitality is derived. Some combinations will fail while others will succeed. Some might dub this "urban Darwinism," but I would challenge the pejorative use of this term. The speedy exit of the ill-conceived firm or activity is far preferred to maintenance of the moribund simply because it had the temerity to exist in the first place. August Lösch, a prescient political economist whose work is only lately being recognized for its brilliance, commented forcefully on this situation:

Enforced perpetuation of an originally profitable combination of interests, and the perfect preservation of old conditions in particular, creates a museum, which, like all such institutions, requires large sums for its maintenance. As soon as the breaking up of old combinations is economically justified, every attempt to obstruct it means a sacrifice. A sacrifice, however, that may be vindicated now and then by the fact that it helps to preserve the political and cultural existence of an economic landscape for a while even though it has passed its economic prime. Those who have to bear the burden in this case are the inhabitants, who, prevented from migrating, are forced to put up with a lower standard of living. In the long run they are also politically endangered thereby. If it is a case merely of a depressed area within a country, the prosperous areas generally bear the cost. This is not always a wise policy, even when the importance of extra-economic causes is freely admitted. It would often be much better to facilitate the breaking up of an old combination of land, people, and economic activities and seek systemat-

⁴⁵Richard A. Walker and Michael K. Heiman, "Quiet Revolution for Whom?," *Annals of the Association of American Geographers* 71 (March 1981):70. See footnote 20 on this page for an extensive list of citations on this subject.

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ically for a new and vital one; that is, to promote adaptation rather than to obstruct it.⁴⁶

It is interesting to note the enthusiasm for Lösch's work in Hayek's remarks comparing market allocation and central planning:

Though we again have to deal here with a problem wherein the price mechanism operates only imperfectly and does not take into account many things we would wish to see taken into account, it is more than doubtful whether a central planner could guide developments as successfully as the market does. It is remarkable how much the market does accomplish in this respect by making individuals take into account those facts which they do not know directly but which are merely reflected in the prices. The best-known critical examination of these problems has indeed led A. Lösch to conclude that "the most important result of this book is probably the demonstration of the surprising extent to which the free forces operate favorably."⁴⁷

Obviously, the rationale of the politics of permanency is at odds with these views and of the whole notion of post-interventionism. In city after city government attempts to protect and preserve structures the market has declared outmoded. These frantic manifestations of control, supported by pleas for greater intervention, are the most potent arguments for replacing this paradigm of urban existence with one in which government is minimized and individual choice is fostered. In the following section the shape and function of "the post-interventionist city" is sketched and estimates are made of how it would differ from current configurations.

The Post-Interventionist City

The post-interventionist city is shaped by the market under conditions of minimal government action from federal and state levels. Neighborhood organizations assume a much more prominent role as a cooperative bargaining unit for privately provided services. Voluntary collective action expands dramatically. Creative forms of urban services emerge from the enhanced diversity of urban activity. Existing trends in the privatization of public services are enhanced. But before invoking the spirit of Adam Smith to assist the transformation to this new, more liberal city, we should be as clear as possible about what would be wrought. We know, as did Algernon Sidney, that "our

⁴⁶August Lösch, *The Economics of Location*, translated from the second revised edition by William H. Woglom (New York: John Wiley & Sons, 1967), pp. 326–327.

⁴⁷Hayek, pp. 356–357.

inquiry is not after that which is perfect, well knowing that no such thing is found among men; but we seek that human Constitution which is attended with the least, or the most pardonable inconveniences."⁴⁸

From this perspective it is fundamental that we identify the forces shaping our urban environment so that estimates of the post-interventionist city's functional and spatial organization may be made.

Technology and Values: The Bases for Urban Change

Technology and values interact to shape the city and to breathe life into its functions. A change in one affects the other, and both, in turn, alter our perceptions of the desirable and the possible. For example, cities have been deeply affected over the centuries by changes in the technology of moving men, material and messages, the net result of which has been to reduce the time and cost of movement. This extends the field of human interaction and permits greater choice.⁴⁹ Urbanites have chosen to exercise their increased spatial choice by relocating to the suburbs and beyond. Indeed, the 1980 census revealed that for the first time the population of suburbanites (45 percent of all Americans) exceeded that of the central city.⁵⁰ Changes in the institution of the family, for example, have spawned the growing number of single-parent households. This, combined with a general aging of the U.S. population and its attendant creation of one-person households through the death of a spouse, has had an impact on the demand for smaller living spaces.⁵¹

These kinds of changes in technology and values have been multiplied many times, and each change has its impact on the shape and function of the city. In general, any technological alteration of the movement or circulation capacity of the city promotes other functional and structural changes. Major innovations such as the streetcar, the automobile, or telecommunications profoundly affect urban functions and uproot existing structures. These forces add up to a technological genie that promoters of the politics of permanency will have to put back in the bottle if they are to achieve their goals.

⁴⁸Algernon Sydney, quoted on the cover page of *The Constitution of Liberty*.

⁴⁹Ronald Abler, et al, *Human Geography in a Shrinking World* (Belmont, Calif.: Duxbury Press, 1975). See chapter one for the general argument.

⁵⁰Marsha Taylor, "45% of the U.S. now Resides in Suburbs," *Dallas Times Herald*, 1982.

⁵¹Robert Hanley, "New York Suburbs' Planners See Switch to Small Houses," *New York Times*, November 28, 1981; see also, William Geist, "Suburban Tempest: Neighbors Riled by In-House Apartments," *New York Times*, December 8, 1981.

Mapping the outcomes of these technological changes as they affect the ability of firms and individuals to bid for sites is an exercise in futuristics performed elsewhere, though not with specific reference to the post-interventionist city.⁵² Speculating about the urban impact of the value change implicit in the reduction of intervention is difficult in both theory and practice. The theoretical issue is obvious: Even though the approximation of a rent gradient following neo-classical economic postulates is assured, it is virtually impossible to predict what functions will be the high bidders for urban space given the spontaneous and synergetic quality of a liberated market.⁵³ Practically, it is a prodigious task to know enough about different institutions (e.g., shelter, circulation, education, utilities, open space, protection, etc.) to estimate their interactions under unstable conditions. Even a crude outline must begin with a fundamental understanding of land rents.

Land Rents and Uses

Lösch once remarked that “our existence in time is determined for us, but we are largely free to select our location . . . finding the right location is essential to successful life, but it is essential also to a successful enterprise . . . a suitable location must be a location for the right events.”⁵⁴ One might add that the utility of sites for events in the physical space of cities will be unstable and subject to constantly changing, value-laden appraisal in a freely competitive market. The “right” event is one that maximizes the rent on the site. The literature of geography, urban economics, and regional science is replete with elaboration of this idea and it need not be repeated in detail. However, a simple example may be helpful to the reader.⁵⁵

In theory, a rent gradient is formed with a peak at the center of the city and a slope toward the countryside. (Figure 1(a)). This simple aggregate slope exists because of the high value of being at the point of minimum aggregate travel of an assumed evenly distributed population across a surface of equal accessibility. Obviously, there are

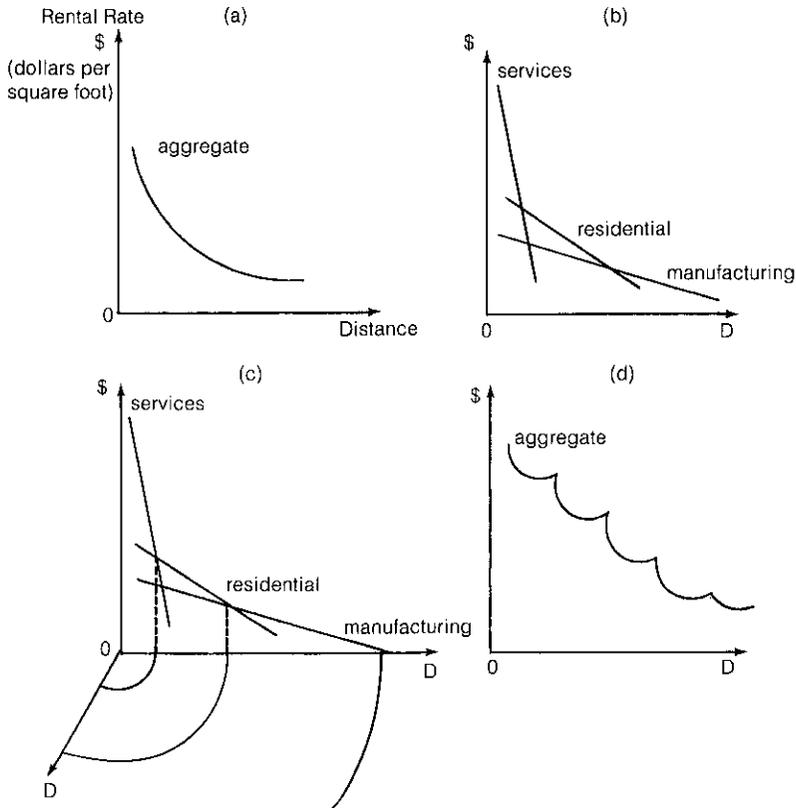
⁵²Sommer, “Fat City and Hedonopolis: The American Urban Future?” in Abler, et al, pp. 132–148.

⁵³For the modern standard treatment of fundamental urban economics, see William Alonso, *Location and Land Use: Toward a General Theory of Land Rent* (Cambridge: Harvard University Press, 1964).

⁵⁴Lösch, p. 3.

⁵⁵In addition to works by Alonso and Lösch already cited, see Robert L. Bish and Hugh O. Nourse, *Urban Economics and Policy Analysis* (New York: McGraw-Hill, 1975).

FIGURE 1
LAND RENT MODELS



slopes for each of the disaggregated functions, and no city has equal accessibility from every sector; hence we observe a more complex graph in Figure 1(b), which when rotated on its vertical axis like a drafting compass, and then viewed from above, yields a simple description of market-determined land use zones as in Figure 1(c). Figure 1(d) shows the simple aggregate model of Figure 1(a) modified by belt-like transportation which, as a result of improved accessibility to other points in urban space, raises smaller rent peaks away from the center. In the mind's eye Figure 1(d) can also be disaggregated, rotated, and viewed from above to begin to gain an appreciation of the complexity of the surface of rents. If one then imagines this surface to be incessantly oscillating due to human choices brought

about by changes in technology and values, the dynamics of spatial competition and unstable equilibria (firms on sites) begins to emerge.⁵⁶

It should also begin to be apparent that spatial economic choice is severely affected if government removes a slice of urban space from the whole, especially if it is removed from the center for the preservation of a historic district.

This dislocation of functions is dwarfed, however, by the effects of government taxation, which reduces the power of some firms to compete for accessible sites while enhancing the power of others. This promotes artificially "suitable locations" and impairs the spatial economy.

What, then, are some of the contemporary urban outcomes of the constrained market, and what might take shape in a post-interventionist city?

Service Centers: The Emergent Raison d'Être

The city has increased its role as a service center during this century, to the point that the majority of jobs in cities are in the service sector. Manufacturing jobs have been pushed away from the center city because they do not require "centrality" to the same degree as do services where human contacts are of paramount importance.⁵⁷ What they do require are spatially extensive sites at the periphery where land is cheaper. In the wake of their departures, manufacturers have left behind them physical structures that are not readily adaptable to the service industries. This has impaired the flexibility of cities, even though these structures can be altered or removed.

The private service sector is especially prone to constant spatial rearticulation as unwieldy firms, such as department stores, are replaced by other firms requiring less space in which human interactions can occur. Increasing density of firms on these central sites results in intensified use. The impact of telecommunications, with all of its potential for dispersing clerical and other service functions, is only just beginning to be felt. Many other service activities will eventually abandon central locations to be replaced by others with irreducible requirements for human contact. Major financial and legal transactions, exchanges requiring confidentiality not to be risked on

⁵⁶For an excellent treatment of spatial competition, see M. L. Greenhut, *A Theory of the Firm in Economic Space*, 2nd printing (Austin, Texas: Lone Star Publishing Co., 1974).

⁵⁷See Walter Christaller, *Central Places in Southern Germany*, translated from German by C. W. Baskin (Englewood Cliffs, N.J.: Prentice Hall, 1966).

teleconferences, leisure activities, and judicial services (a public good) would be prominent at these highly accessible sites.

Adding to this intensity is the general increase in rents attributable to the appropriation of centrally located space for public purposes or occupied through special arrangements by the State by educational and religious institutions. President Carter once remarked that during his administration nearly four-fifths of all new federal facilities were placed in the central city.⁵⁸ These public or publicly subsidized activities in urban space are a specialized part of the service sector but whether the activities, if privately proffered, could pay the rents on these center sites is unclear. In the post-interventionist city one would expect grossly unprofitable uses of urban space, like jails, or post offices, to vanish altogether or to be displaced to distant locations.

One would also expect the firms or activities most likely to capture central locations are those with the highest return per square foot, and with the fewest externalities to internalize or litigate. In New York or Dallas the premium rents are paid by firms in the service sector.⁵⁹ In the cores of cities supposed to be suffering economic trauma service employment is increasing.⁶⁰

These services and the demand for access to them will continue to affect remaining manufacturing firms, eventually pushing all but a few down the rent gradient. Services will also affect the residential population generally by driving those least able to pay in either of two directions: toward extreme densities in high-rise structures at central locations, or away from the city in pursuit of manufacturing jobs not competitive at the center. "Gentrification" is also a manifestation of this dynamic as the suburban wealthy purchase, and return to inner-city, housing stock to take advantage of centrally located activities.

The rule in the post-interventionist city is that individual access depends on ability to pay, leaving the individual free to make the most "tasteful" adjustments given the constraint of personal wealth. Some adjustments might include diminished use (with attendant conservation effects), choice of lower quality items, migration to less expensive sites, or reliance on charitable institutions in extreme

⁵⁸John Herbers, "U.S. Poverty is Found Declining Everywhere But in Big Inner Cities," *New York Times*, September 29, 1980.

⁵⁹Diane Henry, "A Mecca for Foreign Investors," *New York Times*, February 3, 1982.

⁶⁰Dudley Clendinen, "Boston Booms Amid Municipal Decay," *New York Times*, September 27, 1981; Iver Petersen, "Boom and Bust Overlap in Cleveland," *New York Times*, February 15, 1982.

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circumstances. These possibilities would apply to what are often thought of as public services as well as to the private goods and services mentioned above. Because public services such as fire and police protection, transit, education, utilities, and open space have been supplied in large measure by the public sector for a long time, an imaginative transition to reduced intervention will be required. In each category there exist examples of privately supplied activity, whether it be as mundane as home smoke detectors and fire extinguishers, neighborhood security patrols, van pooling, etc., or as highly organized as a distinguished private educational institution or a utility company. The central authoritarian may view these as supplemental to the State services whereas the libertarian might view them as elemental and in need of expansion when publicly supported institutions shrink.

Does this mean anarchy in our cities? Of course not. There is a logic to collective action at the appropriate level and there is much about which we may choose to be rationally ignorant, choosing to hire someone to act on our behalf rather than investing in becoming knowledgeable ourselves. Each of us will vary as to that over which we would relinquish sovereignty but a hierarchy of levels of collective authority, unanimously approved, can be achieved if each local authority does not have to fit its actions within the dictates of remote central authority. It follows then that instead of arguing for general metropolitan-wide government we should seek the institutional flexibility to adhere to ad hoc territorial units for our specific collective goals. City government would relinquish authority to neighborhoods and neighborhoods to even smaller associations. Collective action may involve as few or as many individuals as is reasonable for the goal to be achieved, but no one must be forced to participate. "Publicly" generated goods from these organizations would require the same protection of the laws as private goods. Access by those outside the association would be based on user fees.

Does this mean that no confiscation may occur for redistributive purposes? Yes. *But it does not mean that redistribution will fail to occur*; it merely places the act of redistribution within an ethical framework of "each according to his conscience." This could become one of the most innovative aspects of American life as those imbued with great personal drive to improve the material condition of the indigent could work to organize the charitable sector of the economy. If a group was concerned about shelter for the poor, the emphasis would be on an appeal to the populace for charitable gifts, and their success would depend upon the effectiveness of their pleas. This is preferable to a group like the Coalition for the Homeless bringing a

class action suit against the City of New York, as it did in 1981 to force the provision of a certain standard of shelter.⁶¹

The charitable character of Americans is well known. In 1981 gifts to charity increased 12 percent over the previous year.⁶² However, much of the charitable sector has relied on existing tax loopholes to induce private gifts. Thus, any reduction in the coercive power of government will put more pressure on private charitable organizations to promote their programs and to face the reality of reduced federal and state welfare programs. In such an environment groups like United Way or Catholic Relief Services or churches would provide charity to those who truly needed it, and it would be done incrementally, according to the individual case, rather than by entitlement.

The Central Authoritarian Critique

What is the foundation of the difference between the libertarian's conception of the city and that of the central authoritarian? I see four main differences. The first concerns human nature. The central authoritarian views humans as potential miscreants whose urge to satisfy self must be controlled a priori to prevent anticipated injury to others. The libertarian makes no such supposition: Humans are expected to pursue their self-interest, but within a framework of non-injurious action toward others or their property. Injury may be determined only after the fact; therefore a clear specification of human and property rights is important to the post-interventionist city. Both of these views at their extremes produce untenable situations, for we can neither anticipate every risk and prevent people from taking it, nor can we condone every action simply because no one was injured.

A second difference concerns perceptions of resources. The fiction of fixed resource limits is a crucial ingredient in central authoritarian arguments because it permits the proposition of a Thurovian "zero-sum society" in which any gain by an individual is at someone else's expense.⁶³ By fostering the zero-sum notion, a "crisis" is manufactured and government control, through the political process, is then required.⁶⁴ This has the political advantage of creating public sector

⁶¹Judith Cummings, "Increase in Homeless People Tests U.S. Cities' Will to Cope," *New York Times*, May 3, 1982.

⁶²Kathleen Teltsch, "Despite Recession, Donations to Charity Rise 12%," *New York Times*, April 9, 1982.

⁶³Lester Thurow, *The Zero Sum Society: Distribution and the Possibilities for Economic Change* (New York: Basic Books, 1980).

⁶⁴Harvey Molotch, "The City as a Growth Machine: Toward a Political Economy of Place," *American Journal of Sociology*, vol. 82, no. 2 (1976):312.

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jobs and the disadvantage of leaching the productive sector of the economy. I have dealt with this issue elsewhere and argued that the interventionist "solution" is really a negative sum game which diminishes the very real possibility of positive sum results in human action.⁶⁵

A third difference has been cited previously. The concept of order and control differentiates the central authoritarian and the libertarian. Central authoritarian writers see urban chaos where libertarians see opportunity. Walker and Heiman characterize this discordant view in the following terms:

The rules of the game in property development continue to be uncertain because the economy is deeply unsettled and political differences are unresolved. Given the state of "chaos" that faces property capitalists, the need remains for "reform" that allows development to proceed as in the past.⁶⁶

Allen Scott, an exceedingly thoughtful central authoritarian, has written:

Capitalist cities are only prevented from falling into massive disarray by the incessant intervention of the State. Even so, given the nature of the capitalist State, this intervention is always extenuated, and there have been recurrent moments, not only in earlier Dickensian periods of capitalist urbanization, but also in the very recent past when it has seemed as if the city and city life were doomed to be swallowed up in their own self-engendered chaos and irrationality.⁶⁷

Scott's main conclusion is that insufficient social justice is derived from a city built on a market criterion. David Harvey, another potent critic of the market-driven city, comments:

The prospects for equity or for a just redistribution of income in an urban system through a naturally arising political process (particularly one based on a philosophy of individual self-interest) are bleak indeed. The extent to which a social system has recognized this fact and adjusted itself to counteract this natural tendency is, I believe, correlated with the degree to which that social system has succeeded in avoiding the structural problems and deepening social tensions consequent upon the process of massive urbanization.⁶⁸

⁶⁵Sommer, "Resource Depletion in the Orwellian Decade," *Proceedings of the 20th Annual Institute on Petroleum Exploration and Economics* (New York: Mathew Bender and Co., 1980).

⁶⁶Walker and Heiman, p. 77.

⁶⁷Allen J. Scott, *The Urban Land Nexus and the State* (London: Pion, Ltd., 1980), p. 169.

⁶⁸David Harvey, *Social Justice and the City* (Baltimore: Johns Hopkins University Press, 1973), p. 79.

Their remarks are, of course, wholly disputable matters of taste, but they are not trivial given that the course of contemporary urban life is tilted in their direction.

Scott's and Harvey's remarks do serve both to illustrate the issue of order and to reintroduce the fourth difference – the willingness of the central authoritarian to employ coercion to enforce taste, be it taste for “social justice,” historic buildings, or urban beautification.

These differences are profound in their impact on the organization of society at large or on the city in particular. If we adopt a view of humans as fundamentally mischievous creatures, plundering a finite supply of resources, one can see why an enthusiasm to trade liberty for social control could be pervasive. Comprehending that condition permits us to understand that when we relinquish liberty, those who control also establish and enforce our standards of taste.

In contrast, if individuals are seen to be merely self-interested seekers of wealth, limited in resources only by their imagination, it becomes important to minimize controls that divert attention from positive sum combinations.

The potentially most damaging central authoritarian critique of the post-interventionist city relates to social product and welfare. The market solution I have suggested here places specific responsibility for welfare on freely taken, individual charitable acts. I have admitted my doubt that the level would reach current expenditure of government-coerced taxation for transfer purposes. On the other hand, not as much would be needed to support a welfare bureaucracy, leaving more to be distributed to the indigent. The revived market would also sweep up many who wish to work but who currently can not do so because of government regulations such as the minimum wage.

Efforts to achieve the post-interventionist city will produce a negative response from those benefiting from government programs, and threatened politicians and bureaucrats will align with special interests to resist change. Their political effort will be intense.

Social product, such as it may exist in libertarian terms, would be improved by the enriching spontaneous combinations of the market. Lösch adds a caution, however, which may be as instructive as anything I can write:

The advantages of a free economy operating under ideal conditions lie in self-determination of the individual and self-regulation of the whole, or briefly, in freedom and equilibrium. But say its opponents contemptuously, this need not be reasonable; it may be “any kind of equilibrium.” There is much truth in what they say: it remains to be proved whether a free economy also provides, as a third advantage, the greatest possible social product. Its critics might

reflect, however, that economic freedom is a good in itself, and as such constitutes a part of the national income.⁶⁹

The Vanishing Urban Crisis

The disappearance of the "urban crisis" is the result of an alteration of our conception of what a city is and what it is not. The city is a place of extraordinary instability, rich with opportunity, full of risk, and productive of that which humans value most. Some may decry those values and seek to impede their expression or to replace them with others more to their taste. So be it; in the post-interventionist city there is a free market in taste and a requirement only not to impose it on another. By contrast, in the contemporary city constraints abound, and coercion is rampant. The politically driven urge to coerce underlies the promotion of a false view of the city as an organic entity requiring external nurture and the maintenance of fixed patterns of people and property. I cannot overemphasize the importance of disposing of this potent lie which has misguided urban policy and has led to the misallocation of resources. Cities are not singular entities, *they are collections of individuals cooperating in a market system to further their well being.* The incubus of intervention must be laid to rest.

Cities are vital places (not organisms) because they are loci of information. Their centers are balance points of potential interaction, and that potential is thwarted by a tangle of government-engendered, disequilibrating rules and actions which suppress the emergence of innovative combinations. Herein lies the nature of "government failure." Vitality is drained from the economic system in favor of control. Scott Greer, writing on the bureaucratization of the modern city, states:

Bureaucracy may or may not be an efficient productive system, but it is an effective instrument of social control. The Nazi party could never have devised a means for governing Germany, but in the bureaucracy of the Prussian Empire and those of the various petty states, an instrument stood ready. Good, rule-ridden Germans operated the state for Hitler. So might the crisis of a no-growth, stagnating economy be handled in the United States, with control of the people through control of bureaucratic heads and their empires, and the distribution of scarce resources through the same instruments.⁷⁰

⁶⁹Lösch, p. 315.

⁷⁰Scott Greer, "Bureaucratization of the Emerging City," in Blair and Nachmias, pp. 80-81.

This parasitic bureaucratization is derived from politically driven forces which are activated because the State has the power to coerce the transfer of wealth from some individuals to others. The effect on economic progress is devastating.

Arguments for the organization of the post-interventionist city presented above urge that coercion be abandoned and replaced by voluntarism for both efficiency and equity. Legions of urban public-service personnel, whose product is unclear at best, could find productive work (work for which demand exists) within the market economy of the post-interventionist city. Many would probably find positions similar to those previously occupied (e.g., public sanitation workers might form their own refuse disposal companies). Others would be absorbed by the dynamics of a free economy.

There is no question that the poor will always be with us if we adopt some arbitrary notion of "poor" being the bottom "x" percent in terms of family income within any territorial unit, be it a city or the United States. In truth, there are very few truly poor in the United States if the world's poor are used for comparison. One may hardly take heart in such an observation no matter how true it may be. It is surely to the taste of most Americans to live in a society in which the indigent are cared for by those of greater fortune or industry. I believe active moralists and ethicists can mobilize private resources in an effective, non-coercive way to sustain, incrementally, the needs of the indigent.

Would the same number of individuals be subsidized to the same degree projected by the "Great Society"? Undoubtedly not. Nor would there be politically contrived constituencies of clients upon whom bureaucrats live and politicians thrive. The question is not whether all poverty can be eliminated, because it cannot. Instead, the question is what system generates the greatest wealth and the greatest freedom in its allocation, thereby providing the greatest possibility for charitable acts? Clearly, the market, operating as freely as possible in an environment of minimal government, meets those criteria.

Finally, the general acceptance of the post-interventionist (or non-interventionist) city requires that individuals place a premium on economic and personal freedom. Such an acceptance, of course, would mean a significant modification of existing institutions that have been insulated from competition. Ideally, the post-interventionist city will be characterized by the constant, gale-force buffeting of competitive action, eroding a weak firm here and redeveloping another property elsewhere. Few structures or patterns of relationships will stand the test of time as values and technology interact and change. Centrality

POST-INTERVENTIONIST CITY

in locational behavior will remain a forceful principle, but the activities which bid for central location will shift. The fluidity of these shifts in terms of minimization of transaction costs will be the hallmark of the post-interventionist city, and the ability to account for externalities and to internalize them will be a measure of its success.

AN EVALUATION OF THE POST-INTERVENTIONIST CITY

M. L. Greenhut

How do I critique an article that shares my belief that the market system is the most effective allocator of resources an economy can have, including the urban economy? How do I critique Sommer's disgust with the federal government handouts, spending excesses, lobby interest impacts, ad nauseam? Art Deco enthusiast constraints on free enterprise, historic preservation to suit a few, enterprise zones which generate uneconomic locations, and the industrial hostage issue are all interventions which appall those of us who favor economic freedom rather than bureaucratic interferences and controls.

How do I critique Sommer's thesis that we do not need government to protect minority interests – or for that matter majority interests – and that the market economy can even resolve the externality problem via selected improvements in property rights? How do I critique his claim for a property rights solution when in fact Charles Stewart and I argued strongly against EPA, CPSC, and OSHA regulations in a recent book (1981)? Indeed, it was our contention that in place of the standards being formulated, the lawyers, the MDs, and alas even the economists in these agencies should *in effect* be returned to the courtrooms, the hospitals, and private businesses or academia. We particularly critiqued the right of bureaucrats to issue rules that others must follow. And we proposed instead a property rights solution where injured parties can easily obtain legal action against wrongdoers. By minor change in perspective or in property rights, the marketplace could easily cover the costs of the external diseconomies that the EPA, CPSC, and OSHA people have been trying to eliminate by regulation after regulation.

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Take for example the marketplace bubble concept. This approach to pollution would sharply alter EPA interferences and in the process eliminate the need for the bureaucratic interferences and excesses which have characterized that agency in recent years. Or consider the federal income tax. Even down to using simple income tax forms à la Hall/Rabushka postcard filing plan, I would propose that there are ways to accomplish what in effect are marketplace solutions in place of government regulatory interferences.

How do I also critique the last part of Sommer's article where he presents his view of the post-interventionist city, when I happened to write (1974, pp. 314–316) that competitive entry and exit will equilibrate profits (and utilities) over the economic landscape? The upshot of my analysis was that improperly located firms/cities and excessively large or small firms/cities will in time be altered by free competition to the point where rates of return and sizes are commensurate with basic economic and social forces. In particular conformance with Sommer's recording of interventionist errors, as well as with his view of how the market-oriented city would work, I happened to write that "given sufficient time, the firm and the industry would relocate while the city either disintegrates or acquires new character" (p. 315). Most vitally, my conclusion followed 314 pages of microeconomic theory that established the welfare-maximizing properties of a competitively based space economy, as I shall in fact indicate later on in this paper.

Feeling as I do, how can I object to *anything* Sommer wrote? I can't – but I *can* propose that he might have also done the following: although, in fact, I will refer below to another paper he should have written, he could actually have set forth some of these thoughts as a preamble to the article I am critiquing.

I propose that Sommer needed certain materials (in substance, proofs) to precede the contents of his "Post-Interventionist City" article. These materials (for example, in the form of *another paper*) could begin (and I am guessing at Sommer's probable preference for the Austrian school over the Chicago School) with an explanation of *what is the firm, who and what is the entrepreneur*. He could then enter into a brief discussion of why disequilibria exist, and that given such disequilibria (à la von Mises, Hayek, and Kirzner), dynamic market conditions would move the system towards the end of maximizing consumer wants, while providing efficient production *and* locational distributions. To be much less than humble, I would in fact suggest that he could condense into a handful of pages chapters 5, 12, and 13 out of one of my own books (1974) to indicate that these desirable results would ensue for a free people who are only con-

strained by law against cornering, engrossing a market, or colluding. All this essentially would be in conformance with Adam Smith's caveats.

Now, the above basic propositions derive from a critically important contention, namely that the space economy (including the city itself) is oligopolistic—see Greenhut (1974), chapter 4, and a developing body of subsequent literature, e.g., Benson (1980) and Norman (1981). Even Chamberlin's original suggestion that barbers are engaged in monopolistic competition does not conform to the spatial world we live in; for even in just a small downtown section of New York City, or a section of Santa Fe, or throughout all of Sweetwater, the barbers and their shops are oligopolists. Of course, you may interject the concern that this is bad, for do not most economists contend that oligopoly markets are inefficient? In fact, in one of Galbraith's recent propaganda pieces (*Houston Chronicle*, August, 18 1981), he went so far as to claim that oligopoly equals monopoly, mergers of large firms are bad even if rival firms remain, and *no microeconomic theory exists to the contrary*. And if oligopoly markets are bad, as Galbraith claims – or for that matter, probably most economists – regulations by bureaucrats are therefore needed; in turn, Sommer's "Post-Interventionist City" article would fail. Happily for that paper, as well as the paper I am proposing for him, he can point out that Galbraith simply has not absorbed the recent literature which *proves* the efficiency of the oligopolistic economy.

Therefore, in the paper that I am suggesting Sommer should have written, he can point out that Galbraith and cohorts have regularly failed to recognize the fact that there exist two main types of oligopolies: the collusive (organized) oligopoly (i.e., the cartel) and the competitive (unorganized) oligopoly. Most significantly for all of us who believe in the free enterprise economy, the latter oligopoly form can be shown to be optimally efficient—directly so, as in Greenhut (1974) or *in effect*, as in Demsetz (1968) and Baumol (1981). Barring pure monopolization it can further be shown that the oligopolistic spatial world we live in moves dynamically towards the end of maximizing total welfare (and individual freedom), provided we can eradicate the predatory behavior that was stressed by Adam Smith so long ago.¹

¹It can be shown that the basic $AR = MC = AC$ relation of pure competition theory (which for economists indicates efficiency in production and the maximization of consumer satisfaction in a free enterprise economy) holds fundamentally in the real world of spatial oligopoly. Modification of the above relation is confined to the fact of negatively sloping AR curves, hence existence of an $AR > MR$ condition. It is shown, however, in Greenhut (1974) and in subsequent papers (Greenhut (1978), Dorward's

After Sommer has provided an analysis which establishes the basic efficiency properties of a market economy, he can demonstrate locational and market area efficiency.² Then he can turn his attention to the downtrodden, the misfits, and the infirm. Sommer could easily demonstrate, à la David McCord Wright, that though financial power can be awesome, worse than financial power is political regulatory abuse of the public by supposed do-gooders. Economic analysis of the typical government agency's bid for increasing power and size, when applied alongside specific examples of regulatory excesses, could easily establish the thesis that the proper function of government is the protection of individual rights, including freedom of contract and private property. Under limited government, individuals would keep the major part of their incomes and be better able to help others via *private* charity. Surely even the physically handicapped can be extended help without coercing other free people and businesses in the selection of their own activities and charities.

Sommer could then conclude his paper by indicating that a *competitive* oligopoly marketplace, where externalities are resolved by special property rights, and where the infirm are helped by special institutional assistance, will generate maximum satisfaction and output. The upshot of this would be that cities will be the way all

critique (1981a), Greenhut's reply (1981), and Dorward's subsequent agreement (1981b)) that the differential $AR > MC$ is strictly based on the different levels of behavioral uncertainty prevailing under competitive oligopoly market conditions. The result is that the final equilibrium position is a transform of $AR = MC = AC$. Somewhat similar findings have been set forth in papers by H. Demsetz (1968) and most recently by W. Baumol (1981).

²The locational facets of the space economy were shown to approach optimal distribution for firms, including the market spaces surrounding firms (Greenhut (1974), chapters 12 and 13; John Greenhut and M. L. Greenhut (1975); M. L. Greenhut and M. J. Hwang (1979)). I would even suggest that this holds for individuals too. This is not to say that short-run errors do not occur (corresponding, in a sense, to enterprise zones). In still other words, best results *do not* take place, for clearly in any system involving human beings, errors will be made and bankruptcies will occur, which is the way things must be. Note most vitally, however, I do claim that free competitive entry and exit *along with infrastructure developments* will lead in the long run to effective locational distributions. I would go so far as to propose that even if mergers are permitted (see M. L. Greenhut and H. Ohta (1976, 1978)) and identification is made of what, in fact, is a collusive barrier to entry (John Greenhut and M. L. Greenhut (1977)), the free enterprise economy will be efficient and satisfy consumer preferences. This optimality will also apply to locational distribution (hence, city form) and market area spaces. *The requirement for optimality is that competitive entry and exit must exist for every firm and person.* This is the sole requirement for the *second-best, long-run optimality* results that man can attain. Applying the regulatory power of fallible human beings in government agencies, especially congressmen with backgrounds in law, can only destroy the natural *trend* to efficiency that the marketplace economy can offer.

consumers (not just minority or even a majority of voters, but *all* people, voters and nonvoters) want. In other words, the way we spend our dollars and apply our skills and efforts will *determine the character of our cities*. Most fundamentally, the marginal dollar *in effect* controls. Sommer can then state finally that since he has now *proven* his departure point specifically, his second paper (to be entitled “The Post-Interventionist City”) covers selected subject matters, including Art Deco, enterprise zones, and other interferences.

There are many – especially in the Austrian school – who would argue that all the State must do is *protect our property rights*, such as our freedom of contract, and of entry into or exit from the world of business. The result of this freedom would be an optimal allocation of resources. I agree with this line of thought which, *simply stated, means that personal utilities in consumption are maximized under conditions of free exchange*. Since Sommer posits his entire case on individual freedom, it would seem that in this sense *his paper is complete*.

Kirzner and other modern “Austrian” economists reject the model of perfect competition that Chicago economists rely upon. They argue that the Walrasian general equilibrium extension of perfect competition amounts to a definition of a market in which no decision made is ever disappointed. To the extent that Chicago economists require perfect competition to verify *their expectation that a free enterprise society can yield optimal results*, their case fails since their analysis is tautological. So where are we? If simple monopoly (or its equivalent) prevails, the P-MC inequalities indicate to Chicago and other economists that free exchange is insufficient. If only pure competition suffices, the Austrian argument against the Chicago school applies. And what about disequilibria?

The *real-world entrepreneur* is an action/reaction decision maker of the von Mises order. I therefore agree that we must focus attention on a dynamic decision maker who errs, who oftentimes wants to collude, who invariably wants to take advantage of opportunities, and who most vitally needs freedom of contract and of exit and entry. It is interesting to note that this dynamic entrepreneur is a basic part of the world of spatial oligopoly. Moreover, the many forms the spatial oligopoly market can take in the short run, including its kinky demand curve possibility, center attention on disequilibria. It is via the process of market adjustments that we ultimately derive the competitive spatial oligopoly equilibria conditions that were sketched above in footnotes 1 and 2. Most importantly, by applying a well-defined set of property rights, including freedom from *organized oligopoly* (i.e., the spatial economy counterpart to monopoly), the

Austrian market process can be shown to yield the advantages of free exchange that its proponents claim for it.

Using my analytical framework, therefore, we can reach the Austrian position of contending that personal freedom along with a well defined set of property rights will yield optimal results. Furthermore, I contend quite uniquely that the Austrian thesis is verifiable *within the analytical system of the so-called Chicago economist, the Harvard economist, and even those who contend the need for counter-vailing powers.*

To sum up, *given* Sommer's implicit assumption that the market economy is an efficient allocator of resources; that it provides mankind with maximum total welfare, consumer satisfaction, and individual freedom; that present enterprise shortcomings in the form of pollution, worker safety and health, consumer product safety, and the like could be resolved by slight alterations in property rights, his view of the post-interventionist city is certainly one we can agree with. Since the relevance of his implicit assumptions can be established by formal economic theory, and since his results rest on the existence of individual freedom, I can concur with the thrust of his paper.

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