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means a revolutionary theory may become a *status quo* theory.

But there are also two important revolutionary tasks:

(iii) *Revolutionary negation*—taking counter-revolutionary theory and exposing it for what it really is.

(iv) *Revolutionary reformulation*—taking *status quo* or counter-revolutionary formulations, setting them into motion or providing them with real content, and using them to identify real choices immanent in the present.

- 5 These tasks can be pursued and these dangers can be avoided only if the counter-revolutionary posture of the organized pursuit of knowledge (and in particular disciplinary division) is recognized and reality is confronted directly.

Chapter 5

Use Value, Exchange Value and the Theory of Urban Land Use

"The word VALUE, it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called 'value in use', the other, 'value in exchange'. The things which have the greatest value in use have frequently little or no value in exchange; and on the contrary, those which have the greatest value in exchange have frequently little or no value in use." (Adam Smith, *The Wealth of Nations*, 1776, 28.)

The distinction between use value and exchange value was a prevailing source of concern for the political economists of the nineteenth century. It provides the starting point for Ricardo's *Principles of Political Economy and Taxation* as well as for Marx's *Capital*. Jevons (1871, 128-44) set out to clarify what he correctly perceived as certain ambiguities and inconsistencies in both Smith's and Ricardo's discussions on the matter, but in the process he eliminated many of the interesting and socially relevant issues which attached to it. He equated use value to "total utility" and exchange value to "the ratio of exchange". The latter then was related to the former via a formal definition—a definition which Jevons regarded as the "keystone" for all economic thought:

"The ratio of exchange of any two commodities will be the reciprocal of the ratio of the final degrees of utility of the quantities of commodity available for consumption after the exchange is completed."

And so Jevons transformed political economy into economics with its emphasis on sophisticated theoretical devices for marginal analysis. These sophisticated devices, insightful as they

may prove in certain respects, turn out to be weak tools for handling some of the important and relevant problems posed in classical political economy. Consequently, these problems have the awkward habit of arising again in new guises. They permeate much of welfare economics and take on quite specific form in arguments over the specification of social welfare, the provision of public goods, the nature of consumers' and producers' surpluses, the nature and appropriate measure of capital, etc. They also arise in the policy arena. It is evident, for example, that the social concept of need and the economic concept of demand are two quite different things and that they exist in a peculiar relationship to each other. It seems relevant, therefore, to resurrect the distinction between use value and exchange value in its original form and to enquire whether the classical debate can provide any enlightenment with respect to contemporary urban problems.

Marx made several significant contributions to the classical debate. These contributions effectively resolve the ambiguities found in the discussions by Smith and Ricardo, but indicate a path for economic analysis quite different from that laid out by Jevons. Part of the difficulty posed by Marx's analysis lies in his highly original way of using words. Ollman (1971) has recently provided a detailed discussion on this topic. The difficulty arises because Marx uses words in a relational and dialectical way. Use value and exchange have no meaning in and of themselves. They do not refer, as they appear to in other discussions of the time, to two fixed but separate scaling systems (possessing universal attributes) which either "exist" in some *a priori* Kantian sense or can be discovered through an empirical investigation of human behaviour. For Marx, they take on meaning (come into existence if you will) through their relationship to each other (and to other concepts) and through their relationship to the situations and circumstances under discussion (Ollman, 1971, 179-89). The term "use value" can thus be applied to all manner of objects, activities and events in particular social and natural settings. It can refer to religious ideology, social institutions, work, language, commodities, recreation, and so on. It is even reasonable to consider the use value of the concept "use value"—indeed, this is what this essay is partly about.

Marx paid greatest attention to the meaning of use value and

exchange value in capitalist society. In both the opening chapters of *Capital* and in *A Contribution to the Critique of Political Economy* he details the meaning of these concepts in the capitalist context. In the latter work (which we will draw upon here) Marx begins by accepting the proposition that every commodity has a two-fold aspect in bourgeois capitalist society—use value and exchange value. He then asserts that "a use value has value only in use and is realized in the process of consumption." Use values consequently "serve directly as means of existence." Employed in this manner, however, "use value as such lies outside the sphere of investigation of political economy." Marx then goes on to consider exchange value. This, he suggests, at first sight appears as a "quantitative relation, the proportion in which use values are exchanged for each other." But, in the manner typical of Marx, he then goes on to enquire as to the forces that yield up exchange value in capitalist society. He concludes that the creation of exchange value resides in the social process of applying socially necessary labour to objects of nature to yield up material objects (commodities) suitable for consumption (use) by man. Marx then brings use value and exchange value into a relationship with each other. It is interesting to contrast this method with that of Jevons who appealed to the marginalist assumption. Marx writes:

"So far, two aspects of the commodity—use value and exchange value—have been examined, but each one separately. The commodity, however, is the direct unity of use value and exchange value, and at the same time it is a commodity only in relation to other commodities. The *exchange process* of commodities is the *real* relation that exists between them. This is the social process which is carried on by individuals independently of one another, but they take part in it only as commodity owners. . . . The commodity is a use value, but as a commodity it is simultaneously *not* a use value. It would not be a commodity if it were a use value for its owner, that is, a direct means for the satisfaction of his own needs. For its owner it is on the contrary a *non-use value*, that is merely the physical depository of exchange value or simply a *means of exchange*. Use value as an active carrier of exchange value becomes a means of exchange. The commodity is a use value for its owner only so far as it is an exchange value. The commodity therefore has still to become a use value . . . a use value for others. Since it is not

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a use value to its owner, it must be a use value to other owners of commodities. If this is not the case, then the labour expended on it was useless labour and the result accordingly is not a commodity. . . . To become a use value, the commodity must encounter the particular need which it can satisfy. Thus the use values of commodities become use values by a mutual exchange of places: they pass from the hands of those for whom they were means of exchange into the hands of those for whom they serve as consumer goods. Only as a result of the universal alienation of commodities does the labour contained in them become useful labour. . . . To become use values commodities must be altogether alienated; they must enter into the exchange process; exchange however is concerned merely with their aspect as exchange values. Hence, only by being realized as exchange values can they be realized as use values." (*A Contribution to the Critique of Political Economy*, 41-3.)

Marx's technique here is to bring use value and exchange value into a dialectical relationship with each other through the form they assume in the commodity. The commodity also expresses a set of social relationships. The "universal alienation" of which Marx writes is explained in greater detail in *The Economic and Philosophic Manuscripts of 1844* (pp. 106-19). Marx there argues that human beings have, through history, become progressively more alienated (1) from the product of labour (from the world of objects and from nature), (2) from the activity of production (as control is lost over the means of production), (3) from their own inherent "species being" (which stems from the sense in which human beings are a part of nature and therefore have a human nature) and (4) from each other (as each individual assumes an identity and is forced to compete rather than to cooperate with others). These aspects of "universal alienation" are all present in the commodity. The commodity as a simple object or "thing in itself" is replaced in Marx's analysis by the commodity as an expression of innumerable social relationships which, through a simple changing of hands, can undergo a radical transformation of meaning. The "commodity" subsumes within itself everything else that is happening in the social situation in which it is produced and consumed. It is in this dialectical and relational style of analysis that Marx parts company from traditional analyses. There is undoubtedly both resistance to and resentment at this mode of

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approach: Joan Robinson (quoted by Ollman, 1971, 188) complains, for example, at "Hegel putting his nose between me and Ricardo." But a careful reading of the above passage suggests that Marx's formulation is not unreasonable. It yields more adequate insights in certain respects than does the stragem devised by Jevons. The latter supposes two separate value systems which can be brought into a functional relationship with each other by a theoretical device. This supposition has yielded important results (particularly in marginalist economic theory), but in the context of use value and exchange value it has led economic theory into either somewhat arid discussions on the mathematical properties of utility functions or into reliance on the rather unrevealing notion of "revealed preference" which simply allows that people behave in the way they behave. Geographers, planners and sociologists, on the other hand, have treated of commodities in their use value aspects only or, if they sought for analytical enlightenment, have borrowed unquestioningly from the marginal analytics. Use value provides the conceptual underpinning of traditional geographical and sociological treatments of land-use problems, but it is used in such a way that land-use studies lie "outside of the sphere of investigation of political economy". The Marxist device for bringing use value and exchange value into a dialectical relationship with each other demands consideration for it offers the dual prospect of breathing new life into geographical and sociological studies of land use, and of building a bridge between spatial and economic approaches to urban land-use problems. The latter prospect may be as beneficial to contemporary economics as it is to contemporary spatial analysis.

THE USE VALUE AND EXCHANGE VALUE OF LAND AND IMPROVEMENTS

Land and the improvements thereon are, in the contemporary capitalist economy, commodities. But land and improvements are not ordinary commodities: thus the concepts of use value and exchange value take on their meaning in a rather special situation. Six features require particular attention.

- (i) Land and improvements cannot be moved around at

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will and this differentiates them from other commodities such as wheat, automobiles, and the like. Land and improvements have a fixed location. Absolute location confers monopoly privileges upon the person who has the rights to determine use at that location. It is an important attribute of physical space that no two people or things can occupy exactly the same location and this principle when institutionalized as private property, has very important ramifications for urban land-use theory and for the meaning of value in use and value in exchange.

(ii) Land and improvements are commodities which no individual can do without. I cannot exist without occupying space; I cannot work without occupying a location and making use of material objects located there; and I cannot live without a dwelling of some sort. It is impossible to do without some quantity of these commodities and this places strong constraints upon consumer choice with respect to them.

(iii) Land and improvements change hands relatively infrequently. In certain types of business operation (particularly when heavy fixed capital investment is involved), in the layout of many public facilities (roads, schools, hospitals, etc.), and in stable sectors of the owner-occupier housing market, land and improvements take on the commodity form very infrequently even though they are constantly in use. In the rental sector of the housing market, in unstable owner-occupied areas, and in the retail sector, land and improvements take on the commodity form much more frequently. The dialectical interpenetration of use value and exchange value in commodity form is not manifest to the same degree nor does it occur with the same frequency in all sections of the urban economy.

(iv) Land is something permanent and the life-expectancy of improvements is often considerable. Land and improvements, and the rights of use attached to them, therefore provide the opportunity to store wealth (both for individuals and for society). Many capital goods have this quality to them, but land and structures have historically been the single most important repository of stored assets. Land is peculiar in a separate respect, however, for it does not require upkeep in

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order to continue its potential for use; there is, as Ricardo pointed out, something "original and indestructible" about it. It is therefore difficult to analyse current land-use patterns without taking this feature into account. In a capitalist economy an individual has a dual interest in property both as current and future use value and as potential or actual exchange value both now and in the future.

(v) Market exchange occurs at an instant in time, but use extends over a period of time. This aspect of the commodity is not unique to land and improvements, but the ratio of frequency of exchange to duration of use is peculiarly low. Consumption rights for a relatively long period of time are purchased by a large outlay at one point in time. Consequently, financial institutions must play a very important role in the functioning of the market for urban land and property in a capitalist economy.

(vi) Land and improvements have numerous different uses which are not mutually exclusive for the user. A house, for example, can be used in many different ways simultaneously. It provides

- 1 shelter
- 2 a quantity of space for exclusive use by the occupants
- 3 privacy
- 4 a relative location which is accessible to work places, retail opportunities, social services, family and friends, and so on (and this includes the possibility for place of work etc., to be actually in the house)
- 5 a relative location which is proximate to sources of pollution, areas of congestion, sources of crime and hazard, people viewed with distaste, and so on
- 6 a neighbourhood location that has physical, social and symbolic (status) characteristics
- 7 a means for storing and enhancing wealth.

All of these uses, when taken together, constitute the use value of the house for the occupant(s). This use value is not the same for all people in comparable dwellings, nor is it constant over time for the same person in the same dwelling. Swinging singles, young married couples with children, old retired

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people, sick people, sports buffs and gardeners, all have different needs and consume different aspects of housing in different quantities in their daily lives. Each individual and group will determine use value differently. It is only when the characteristics of people are brought together with the characteristics of housing that use value takes on its real meaning.

Use values reflect a mix of social needs and requirements, personal idiosyncracies, cultural habits, life-style habits, and the like, which is not to say that they are arbitrarily established through "pure" consumer sovereignty. But use values are basically formed with respect to what might be called the "life support system" of the individual. Use value, conceived of in this everyday sense, "lies outside of the sphere of political economy". It is essential to grasp how this life support system works. But no matter how sophisticated our understanding of it, we cannot generate an adequate theory of urban land use out of it. For this to emerge we must focus attention on those catalytic moments in the urban land-use decision process when use value and exchange value collide to make commodities out of the land and the improvements thereon. At these moments decisions concerning the allocation of activities and resources to land are made. And it is particularly important to an understanding of what happens at those moments to bear in mind the very special characteristics of both land and the improvements with which that land is blessed.

URBAN LAND-USE THEORY

Contemporary urban land-use theory is in a peculiar state. Analysis typically concentrates either on use value characteristics (through the study of the life-support system) or on exchange value characteristics (the market exchange system), but there is little or no conception as to how the two may be related to each other.

Geographers and sociologists, for example, have evolved a variety of land-use theories which focus on patterns of use. The concentric zone, multiple nuclei and sectoral "theories" are nothing more than generalized descriptions of patterns of use in the urban space economy. The tradition of research in factorial ecology attempts the same thing with much greater

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sophistication (and some enlightenment), while the work of other sociologists such as Gans (1970) and Suttles (1968) brings a certain amount of realism to the somewhat arid statistical summaries of factorial ecology. Various other devices exist for generalizing statistically about the macro-patterns of urban land use. The negative exponential "model" of population-density (and land-rent) decline with distance from the urban centre has been investigated in some detail. Various models out of the social physics tradition—of which Wilson's (1970) formulations are surely the most sophisticated to date—have also been used to characterize the macro-characteristics of activities and uses in the urban system. All these formulations, however, amount to sophisticated analyses of patterns of use which differ in degree, but not in kind, to those expressed in a land-use map or in a description of daily activity as it unfolds in the life-support system that is the city. A great deal can be gained by such descriptions. But studies such as this cannot yield up a theory of urban land use.

By way of contrast, land-use theories generated out of neo-classical micro-economics focus upon exchange value, although in so doing they appeal explicitly to the strategy pioneered by Jevons through which use value (utility) is equated to exchange value at the margin. Alonso (1964), Beckmann (1969), Mills (1967; 1969) and Muth (1969) presume utility-maximizing behaviour on the part of individuals. In the housing market this is taken to mean that individuals trade off the quantity of housing (usually conceived of as space), accessibility (usually cost of transport to place of employment), and the need for all other goods and services, within an overall budget constraint. It is presumed that consumers are indifferent with respect to certain combinations of space and accessibility. It is also presumed that individuals bid for housing at a location up until the point where the extra amount of "satisfaction" gained from a move is exactly equal to the marginal utility of laying out an extra quantity of money. From this conceptualization it is possible to derive equilibrium conditions in the urban housing market—conditions which are held to be Pareto optimal. This process can be modelled in a variety of ways. Herbert and Stevens (1960) formulate it as a programming problem in which households seek their best "residential bundle" of

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goods out of a general market basket of all goods subject to cost and budget constraints. Muth (1969) provides particularly sophisticated formulations in which he attempts to bring together analyses of the production of housing, the allocation of existing housing stock, the allocation of land to uses, and utility-maximizing behaviour on the part of individual consumers with different income characteristics and diverse preferences for housing. Other writers have examined the competition for space and location among different uses (commercial, industrial, residential, etc.).

It is tempting to view this corpus of urban land-use theory as providing an adequate framework for analysing the market forces shaping urban land use. Unfortunately these theories abstract from questions of use value and do as little to bring use and exchange value together as do the formulations of geographers and sociologists, who start with use value as their basic consideration. The fact that utility-maximizing models contain a crude assumption concerning the relationship between use value and exchange value should not deceive us into thinking that real problems have been resolved. This is not to condemn the models derived out of micro-economics as useless. They shed light on the exchange value aspect of urban land-use theory in much the same way that geographers and sociologists have shed light on the use value aspects. But an adequate urban land-use theory requires a synthesis of both these two aspects in such a way that we grasp the social process of commodity exchange in the sense that Marx conceived of it. This theory will not be easy to construct, particularly in view of the peculiar qualities of land and improvements and the diverse uses to which these may be put.

MICRO-ECONOMIC URBAN LAND-USE THEORY

A critical appraisal of the micro-economic approach will help us to identify what the problem is. Kirwan and Martin (1971) have recently reviewed the contribution of this approach to our understanding of residential land uses, and for the sake of brevity I will concentrate on this aspect of urban land-use theory. It should be evident that my remarks can in principle be generalized to all other aspects of urban land use.

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The assumptions typically built into the micro-economic approach are obviously unrealistic, and are generally admitted to be so. But then this is true of all micro-economic models of this sort. The question is, how and to what degree is the general conceptualization unrealistic? We can start to answer this by comparing the general nature of the results with the reality we are seeking to understand. The remarkable fact here is that although the theories derived analytically out of the micro-economic framework cannot be regarded as "true" in the sense that they have been subjected to rigorous empirical testing, these theories of urban land use (although normative) yield results which are not too much at variance with the realities of city structure. Put another way, the case for regarding them as empirically relevant devices may not have been proved, but it has not been disproved either. These theories may thus be regarded as perhaps not unreasonable general characterizations of the forces shaping urban land use. There are, however, grounds upon which this interim conclusion may be criticized: we will now explore them.

There are numerous and diverse actors in the housing market and each group has a distinctive way of determining use value and exchange value. Let us consider the perspective of each of the main groups operating in the housing market.

(i) The *occupiers* of housing consume the various facets of housing according to their desires and needs. The use value of the house is determined by the coming together of a personal or household situation and a particular house in a particular location. Owner-occupiers are basically concerned with use values and act accordingly. But, insofar as the house has a use in storing equity, exchange value may become a consideration. We may fix our house up so that we can use it better, or we may modify it with an idea of increasing its exchange value. Owner-occupiers typically become concerned with exchange value at two points—at the time of purchase and when major repairs force them to look to their budget constraints. Renters (and other kinds of tenant) are in a rather different position in that use value provides only limited rationale for action when exchange value goes to the landlord. But all occupiers of housing have a similar concern—to procure use values through laying out exchange value.