

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

V. INDUSTRY SEMINARS AND SPEECHES - SHORT TERM

I. Other Presentations In Which Either The Date And /
Or Sponsoring Organization Is Missing

5. Market Analysis/Urban Economics/Real Estate
Process

d. "A Definition of Urban Land Economics",
February 3, 1970

①

Feb/3/70

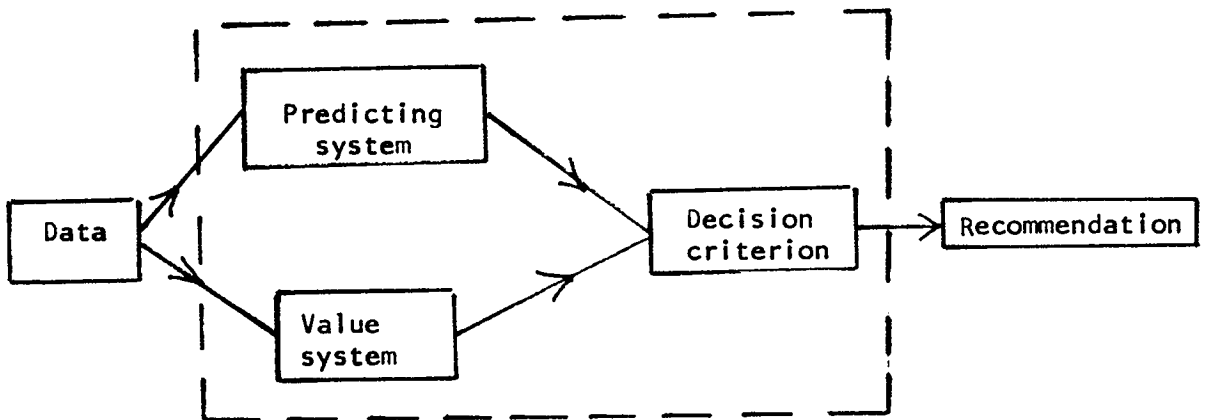
Lecture Outline
A Definition of Urban Land Economics

- I. Urban land economics at present has no generally accepted definition of what is proper subject matter should be. Professor Graaskamp's preliminary definition is:
 - A. Urban land economics is concerned with the allocation of man-made differentiated spaces designed to contain activities required for an urban society, so as to optimize the realization of user purposes given limited resources.
 - B. The resource called land is really space, space to contain an activity, space artificially given form or definition and given a locus relative to a specific land area.
 - C. Economics in general is concerned with the process of allocating a resource which is scarce relative to a demand according to some standard of efficient use, be it the utility curve of the consumer or the marginal increment of profit for the producer.
 - D. The basic problem in defining urban land economics is found in the use of the words "optimize" and "user" because the first presumes some standard of efficiency and the standard of efficiency depends on our definition of the user and his purposes.
 1. What is efficient for the firm may be inefficient for society.
 2. What is acceptable efficiency for the present generation may reflect costs shifted to future generations.
 3. Since the urban space we manufacture has a settling fact on the mind and chemistry of each generation, certain measure of efficiency remain unknown or undefined.
 - E. The subject matter is restricted to space problems characterized as urban and the standard of urbanity is arbitrary, such as persons per acre, degree of job specialization, or simply the geographic radius of a toll free telephone call.
- II. The Ratcliff text suggests that the form that our cities have taken reflects simply a process of aggregation and accretion of many individuals investment decisions. He suggests that we can predict the form and quantity of future land uses by anticipating the decision making processes of the individual user. In this view land economics is a micro theory of behavior by individual space user establishments.
 - A. In Professor Graaskamp's opinion this explanation of city building explains only a brief period in our history, explaining neither the past nor future trends in overall land use pattern.
 - B. The purposes to be served and therefore the standards of efficiency to be met in the allocation of space resources are essentially non-economic in character.
 - C. For individual site development within community land use patterns is a matter of business management and finance.

- D. Community purposes are non-economic in terms of the decision making process as will be shown by example and therefore not the subject of urban land economics.
- E. The subject matter for urban land economics in a School of Business is therefore the process of manufacturing, managing, financing, and ultimately pricing of a commodity called space.

III. Man is biologically deficient because he seems to lack elaborate instinctive chemistry or behavior patterns with which to make successful decisions affecting his survival. Born virtually helpless, man must of necessity make education of the young a major occupation.

- A. Simple group activities led to a pyramid of organization of decision making specialists and history has been the evolution of decision making systems - witch doctors, chiefs, kings, priests, presidents, and real estate counselors.
- B. Cause and effect was recognized to be the pattern of life but causes were first identified as devils and later deductively explained with reason and logic.
- C. To close the gap between Logic and the real world the scientific method was developed to move inductively from observations to statements. Statistical decision making is an intellectual mechanism based on the scientific method.
- D. Today decision theorists organize decision systems something like the simple minded schematic drawing below:



- E. The elements of this system are the building blocks of this course:
 1. All manner of factual real estate data will be suggested to identify a list of alternative courses of action relative to land use decisions.
 2. Hopefully you will be able to learn the cause and effect chain leading to alternative outcomes for each alternative courses of action. (A forward pass can have three results, two of which are bad).

3. Each alternative outcome has a different mix of desirable and undesirable aspects which imply there are value systems within society or for each investor relative to land use decisions.
 4. Each alternative outcome can be assigned a probability (statistical or subjective) so all real estate plans must have a tolerance for the surprise potential.
 5. Therefore, we will move down parallel subject matter - identifying social values which become specified in terms of planning objectives and investment values which become specified as financial objectives, both producing decision criteria with which to screen and to recommend real estate investment proposals.
- F. A form cities take reflects the purposes of its inhabitants and the internal consistency and desirability depends on the degree of consensus as to the 'city beautiful' that exists among its inhabitants.