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Conceptualising 'the economy' to make urban land markets work for the poor

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Contents

Introduction	2
I Economic growth and urban land markets	4
Theories of poverty and 'the economy'	8
Income poverty	9
Basic needs	12
Sustainable livelihoods	14
II The spaces of poor people in urban areas as represented	I in theories of poverty 18
Aspatial theory	19
Spatial confinement	20
III Implications	22
Markets as being performed	24
Diverse economies	25
IV Conclusion	27
Pafarancas	20

Introduction

This paper suggests that to make urban land markets work for poor people it is necessary to engage in activities that reconceptualise dominant understandings of 'the economy' and especially, one of the key economic processes – economic growth. This is because the way in which researchers and policy makers currently perceive urban poverty, urban land markets, and their interrelationship already contains an implicit understanding of a relationship between poor people and 'the economy' that ultimately restricts contemporary attempts to reduce poverty. In order to capitalise on the extensive research of how poor people access urban land it is necessary to use this work to re-place (land) markets within a broader, more diverse understanding of 'the economy' and economic growth.

Urban researchers focusing on the Global South have examined urban land markets and their relationship to urban poverty in considerable detail. As a result of this work, urban land is simultaneously considered as a primary means of generating a livelihood for poor people (Deininger 2003), deeply inscribed in political power struggles over access (Royston 2002), and identified as a key component in current dominant models of economic growth (Dowall 1993). At least since the 1960s, researchers in the Global South have recognised the failure of formal urban land markets and the benefits of informal land markets in providing access to housing and land for poor people (Baróss and van der Linden 1990b; Payne 2002). The informal urban land markets are considered to overwhelmingly account for the land and housing needs of urban poor people in cities in developing countries (Berner 2001; United Nations Human Settlements Programme 2003). Informal land markets are contrasted with the formal land markets which are regarded as catering for the needs of wealthier urban residents. The dividing line between the informal and formal land markets tends to shift and is often blurred (Durand-Lasserve 1990). In addition, transactions and products in the respective market systems appear to increasingly resemble each other (Baróss and van der Linden 1990a). Nevertheless, the distinction between informal/formal land markets has staked out opposite ends of policy makers' frame of reference.

Within this frame of reference there have been two broad and complementary options open to policy makers wishing to make urban land more accessible to poor

people.1 The first has been to attempt to get formal markets to imitate what policy makers consider to be the better aspects of the informal market and the second to introduce regulations to mitigate the worst aspects of both 'systems'. Consequently attempts to make urban land markets work for the poor have historically addressed issues relating to the deficiency of components of land markets. This has included factors related to the supply of serviced land, adequacy and applicability of regulations relating to land use and its exchange, and the ability of people to demand land (often focused on issues of affordability and access to formal credit). However, attempts to implement these options have either been too small scale to have an impact or been unsustainable in the face of financial constraints or political opposition (Payne 2001). More recently, approaches based on 'new institutional economics' have directed attention to the role of 'transaction costs' in facilitating efficient and equitable change through market mechanisms (DfID 2005). These approaches are therefore to be welcomed for starting to address the neglect of 'markets' in theories of poverty (Dorward et al. 2003). Taken together, this body of work offers a rich resource for beginning to reconceptualise 'the economy'.

The paper recognises that markets are an efficient mechanism for the exchange of urban land and that the factors identified above are important for this mechanism of exchange to function more equitably. The paper also recognises that competitive land markets (as they are represented in mainstream economics²) will, by definition, never be able to work for poor people. I am arguing therefore, that the task is to 're-place' markets in a different context rather than proposing to do away with either the term or concept of 'markets'. Taking the analytical framework of 'making markets work for the poor' (DfID 2005) as a starting point, this paper seeks to identify the necessity for, and ways in which, urban poverty, urban land markets, and economic growth can be reconceptualised. In this respect, I agree with a recent

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At one end of a spectrum, there are researchers and policy makers that take the effectiveness of the land market at face value and seek to identify and remove constraints to its operation (cf. de Soto 1989; Lusugga Kironde 2000; Sivam 2002). At the other, a more cautious approach is adopted (cf. Payne 2001; Durand-Lasserve and Royston 2002; Nunan and Devas 2004). This paper seeks to extend on the latter by exploring ways of opening up the dominant ways in which theories and practices of poverty represent 'the economy'.

² By mainstream economics, I am referring to the main traditions such as neo-classical, Marxist, and institutional economics.

conclusion of land research that the current approach to land issues in South Africa is too narrowly conceived, but unlike Bernstein et al (2005) seek to widen the debate in a different way.

The argument of the paper is developed in four sections. The first section draws attention to how particular versions of economic growth are currently dominant in cities and the role attributed to formal urban land markets as underpinning this economic growth. The second section highlights how dominant understandings of poverty serve as an example of the way in which 'the economy' is understood and how this is disadvantageous for poor people. Drawing attention to dominant understandings of poverty has the additional benefit of subjecting a key concept here - 'poor people' - to greater scrutiny. I draw attention to how dominant understandings of poor people are already a consequence of a set of economic assumptions made by policy makers, which have the effect of privileging formal markets in the economy and economic growth. The spatial quality of land markets requires attending to the spatial understanding of poverty. Thus, the third section shows that linked to the dominant understandings of poverty is a narrow view of the spaces of poor people's economic activities that denies the possibility of seeing the *location* of poor people's economic activities as productive and contributing to urban economic growth. The final section outlines the implications of failing to reconceptualise 'the economy' for making land markets work for the poor in South Africa.

I Economic growth and urban land markets

This section highlights how, in terms of the dominant models, researchers and policy makers perceive economic growth and urban land markets to be closely related. In so doing, I establish how the concept of economic growth acts as the primary *referent* for urban land markets and how policy makers assume economic growth to be the outcome of competitive urban land markets. I begin by outlining key conceptual issues that inform dominant understandings of economic growth³ before working these issues into the spatial context of urban areas and cities.

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³ The vast literature on economic growth reflects its importance and an acknowledgement that economic growth is the result of a complex interaction amongst a diverse range of factors. Consequently, there are many theories that seek to explain part or all of its causes

Notwithstanding the diversity of factors related to economic growth, at their core the theories of economic growth all assume that growth is a generative, propellant activity based on some form of innovation (Massey 1996). Various theoretical schools have emerged to explain the sources of 'innovation' and the relationship of innovation to levels of productivity and profitability. The economists' exogenous theories that were developed in the 1950s and 1960s now coexist with endogenous explanations of the sources of innovation. In this version, economic growth is considered by policy makers to consist of *measurable* changes in the productivity and outputs of economic activities. The final section of the paper will return to the issue of measuring economic growth as a means of accounting for progress. For the moment, I concentrate on the concept of economic growth.

If the first core concept is the notion of innovation, then a second is the importance of aggregate savings. Common to all theories of economic growth is the understanding that investments are related to the level of aggregate savings which provide the necessary financial resource that can be drawn upon for new (typically large-scale) investments. New investments, in turn, underpin innovation and hence, economic growth. What is of fundamental importance to note is that the primary responsibility for saving is identified as residing amongst the non-poor. This is because the poor are considered neither to have, nor engage in, forms of saving (Yunus 1998; Sandbrook 1982). The key assumption that supports this understanding is that poor people consume all their income, primarily on food, and thus their ability to save is zero (Lipton 1997).⁴

The last core concept, that I consider, is a concern with the geographical location of economic growth. There are two issues that stem from this concern. The first is that economic growth was observed to take "place in enclaves, surrounded by traditional activities" (Lewis 1976, 26). What is important to point out now is that within these 'enclaves', economic growth is considered to possess an inbuilt, organic logic that will inevitably increase the standard of living and welfare of the general population

(Ferreira 1999). My intention here is not to engage with this body of work but to tease out some of the important *conceptual* issues.

⁴ Although as Keynes pointed out, the ability of the poor to demand commodities will always be an important component of economic growth (Thirlwall 2002).

(Allen and Thomas 2000; Jäntti 1990). The differences and inequalities that emerge between the 'enclaves' and the surrounding areas raise the issue relates to how the results of economic growth are considered to be distributed. By definition, economic growth cannot occur equally everywhere and this makes (at least temporary) inequality inevitable (Kuznets 1965). Despite this attention to the location of economic growth and the distribution of its costs and benefits, the spatiality of these theories is remarkably abstract and universal. How economic growth actually happens or where is never made entirely clear. We are left to assume that economic growth is a harmonious process and can expand in any direction (Nugent and Yotopoulos 1979).

The pursuit of economic growth by the state has recently had particular implications for urban areas and cities. In general, urban areas and particularly cities are increasingly considered by policy makers as the engines of economic growth (DfID 2001; Grant 2004; Meikle 2002). This is partly because the dominant understanding of the entity responsible for generating economic growth has shifted from the territory of the nation to the firm (Porter 1990). In South Africa, this has meant that local governments have been encouraged to plan and promote this economic growth through developing efficient cities (Pieterse 2003). In South Africa, economic growth is fairly narrowly conceived and remains confined to the (historically white) spaces of the formal economy while "the specific problem of the economic development of the townships remains largely unexplored" (Harrison, Todes, and Watson 1997, 58).

In terms of the dominant view, economic growth depends on large-scale, formal (productive) investments that build the 'economic platform' of the urban area. The logic is roughly that economic growth depends on unequal global competitiveness (Fairbanks and Lindsay 1997; Porter 1990). There are many components to competitiveness, but from the perspective of local government planners, competitiveness is understood to depend on the incidence of advanced industries and land uses. These advanced industries, in turn, rely on accessibility to the global market and the availability of productive infrastructure and the efficient distribution of land uses. The efficient distribution of land uses relies on an efficient urban land market.

Formal land markets are generally considered to be directly related to processes of urban economic growth. As I argued in the introduction, economic growth is considered as an important policy goal. To understand how land markets are related to economic growth it is necessary to accept a package of an interrelated set of functions that urban land markets perform. David Dowall (1993, 3) lists these functions as:

- Bringing buyers and sellers together to facilitate transactions
- Setting prices for land
- Allocating land so that the quantity of land supplied equals the quantity of land demanded and thereby 'clearing' the market
- · Ensuring that land is efficiently used

The demand for land is understood as a demand derived from the demand for different economic activities (Dowall 1993). Efficient land markets therefore not only allocate land to maximise social welfare they also allocates productively amongst land uses (Harvey and Jowsey 2004). Different land uses, have differing potential to contribute to economic growth. The land market "encourages developers to develop sites to their highest economic potential, picking that use and building at that density that will yield the highest residual land value. Any bid to buy land to be used for a lower intensity use will lose out to bidders who will be able to make a higher offer" (Dowall 1993, 7). As a consequence, the market will be unable to work for the poor. Maintaining efficient land markets requires the (local) state to eliminate barriers to entry, promote competition, and avoid unnecessary regulation that restricts the operation of the market (Dowall 1993, 11).

In sum, land markets are considered integral with the dominant view of economic growth processes of the city in that they are part of the formal economy and that they are fundamental to the efficient allocation of land uses that informs economic growth. The criterion whereby efficiency is evaluated is in terms of potential contribution to economic growth. Activities that do not contribute to economic growth are therefore held aside until the criteria of efficient land use is perceived as being satisfied. If poor people's economic activities are not considered by policy makers as contributing to economic growth then they will not be addressed as a priority that policy makers make in determining the rationale for the allocation of land.

The third section will return to the spatial implications of these perceptions of the relationship between economic growth and land markets. The following section provides an example of how dominant theories of poverty rely on a conceptualisation of 'the economy' that restricts attempts to reduce poverty. It also serves to highlight how policy makers (unintentionally) inherit an understanding of how poor people relate to 'the economy' when they draw upon the dominant theories.

Theories of poverty and 'the economy'

The ultimate goal of making urban land markets work for the poor is to reduce poverty (DfID 2005). Given the argument outlined in the section above and that economic growth is considered important for poverty reduction, it is important to pay attention to how the relationship between poor people and 'the economy' is understood by policy makers. This section shows that how policy makers and researchers understand who the poor are and what they do in a city, is already a consequence of a set of (largely implicit) assumptions about the relationship between poor people and the economy. As a result of these assumptions, poor people are perceived by policy makers to be *divorced* from the formal markets that comprise the 'real economy'. The reason that poor people's economic activities are perceived as being separated from 'the economy' is because of the way that the theories of poverty invest in a specific binary understanding of the economy. In South Africa this binary has been developed in terms of a 'first' and 'second' economy dichotomy which respectively corresponds to the formal, regulated economy and informal economy.⁵

A review of South African research on urban poverty since 1980 reveals that three approaches to poverty reduction have been dominant - theories and practices associated with income poverty, basic needs, and sustainable livelihoods. The importance of the role of economic growth in alleviating poverty is deeply inscribed

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⁵ While the distinction between 'first' and 'second' economies in South Africa offers insights into the disparities in power and resources of actors at different points in South Africa's economy, it ultimately has the effect of privileging the formal (capitalist) economy as the only 'real' source of economic growth. This further reinforces perceptions of divisions within the overall economy and brackets off 'real' accumulation in the formal economy.

in all three theories of poverty, albeit in different ways and despite many disagreements about the nature and measurement of the concept. Martin Ravallion (1997) cautions that to assume that approaches to poverty take economic growth to be the sole indicator of change in poverty levels is to overstate the case. But it is fair to say that representations of the relationship between poverty and economic growth are discursively dominant in structuring theoretical understandings of what is to be done about poverty (Wood 2003).

The first point to draw attention to is that in all three theories of poverty, economic growth is considered a necessary, if not sufficient condition, for addressing poverty. This ensures that the lot of the poor is bound to the results of economic growth. However, while the processes of economic growth fully determine the possibilities of poor people's economic activities, it is clear that their activities are simultaneously represented as different from economic growth in a number of ways.

The three theories of poverty also all 'see' poor people as engaging in economic activities such as transacting, consuming, and to some extent producing goods and commodities. Therefore the reason that these theories are unable to represent poor people's economic activities as contributing to economic growth is not because the activities of poor people are not considered *economic*. Rather, as I will demonstrate below it is how these activities are considered as having *inherent* qualities that exist independently of other economic activities that has the effect of denying any relationship between poor people's economic activities and economic growth. I turn to consider examples from each of the three theories.

Income poverty

The income theory of poverty has the longest history of the three theories of poverty described here. In South Africa, this theory has historically been a

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⁶ The argument that is often offered is that it is difficult to obtain statistical data on unrecorded, unregulated and informal activities. Thus the issue of poor people's economic activities as being considered as contributing to economic growth is translated/converted into a problem of the availability/expense of generating appropriate statistics.

⁷ The origins of the theory can be traced back to processes and events in mid-nineteenth century England (Kanbur and Squire 1999).

structuring element of poverty studies (Wilson 1996, 233) and it predominates in current research (Noble, Ratcliffe, and Wright 2004, 13).

At the core of this theory is the belief that poverty is primarily a 'lack' or 'deficiency' of income (Jones and Nelson 1999) and that poverty is best understood in terms of 'flows' (Chambers 1992, 302). The 'lack of flow' can be measured in a number of different ways such as expenditure, calorific requirements or the extent to which basic needs are met (Lipton 1997). The measurement relies on the isolation of discrete units such as households, across the boundaries of which, the inputs and outputs can be traced (Yapa 1998). A typical contemporary definition of poverty in this view is described by Paul Shaffer (2002, 58) as "inadequate private consumption of basic goods and services". The calculations are based on assumptions of homogeneity across (typically household) units of "basic preferences ... represented as 'equivalent' consumption expenditure (money metric utility) after adjusting for price and household composition differences" (Shaffer 2002, 59). The level at which the consumption-equivalent-income is deemed to be adequate (either in absolute or relative terms) is calculated and represented as a poverty line. In this theory, poverty comes to be known through surveys of individual or household income and a 'head-count' of those individuals or households whose income is below the poverty line (Ravallion 2004).

Representations of poor people's economic activities generally figure in two ways. Firstly, a consideration of poor people's economic activities as inherently productive is noticeably absent in this approach to poverty. We are alerted to this absence through the perceived attributes that prevent poor people's economic activities from being productive. In early versions of this theory, these attributes are linked to backwardness, tradition and values that are antithetical to urbanisation, industrialisation and modernisation. More recently, poor people are represented as not having the forms of education and knowledge appropriate to participate in growth processes (Zein-Elabdin 2004). As a consequence, poor people's economic activities are neither considered as informed by, nor exhibiting, the modern, rational values that the economic growth is assumed to depend upon. Instead, poor people's economic activities are represented as survivalist, small and unproductive by comparison. Lacking a 'growth' logic these survivalist activities are always framed as subservient to the coherent and organic logic associated with economic growth. The view that poor people are not productive is extremely important in the

context of making an argument for poor people to be allocated or being able to bid for 'productive' land. Policy makers are unlikely to be able to justify the allocation of productive land to poor people if poor people are not considered to be able to use the land productively.

Income poverty theory accepts that, by definition, poor people are assumed to consume whatever they earn. Therefore, there is little space for accounts of investments to increase the productivity of poor people or to see poor people as being able to use (well-located) land productively. As Yunus (1998) and Sandbrook (1982) comment, the responsibility for saving is identified to depend on the non-poor because the poor are considered neither to have, nor engage in, savings. This introduces a second way in which poor people's economic activities figure in the income poverty approach.

Poor people's economic activities are presented as inherently consumptive. However, the fullness of this presence belies an ability of these consumption activities to contribute to economic growth. Indeed, the consumption activities of poor people are more typically seen as detracting from the possibilities for economic growth derived from long-term investments. The assumption that poor people's economic activities are predominantly consumption focused introduces a trade-off in distributing public resources between allocating the available resources between (short-term) consumption and (long-term) investment (Streeten 1977; King 1998; Hicks 1979; Goldstein 1985). This trade-off is important in the context of debates about whether to allocate well-located land to poor people for housing (consumption) or for industry or commerce (investment).

Thus, by being consumption focused rather than production or investment focused, it is argued that poor people are engaged in the 'wrong' type of economic activity to contribute to economic growth. Where it might be admitted that poor people are engaged in some form of production or investment, this is seen as being on too small a scale to be relevant. Secondly, the 'logic' of poor people's economic activities is often located in the household and hence focused on 'survival'. When this is compared to the logic of growth it means that poor people's economic activities do not contribute to economic growth. This leaves "the poorest groups outside the sphere of economic expansion and material improvements" (Ahluwalia, Carter, and Chenery 1979, 299). It is only through economic growth that poor

people can be absorbed into the flow of the main stream of the economy. Thirdly, economic growth is considered to depend on very particular types of knowledge and skills and generally, the higher skilled and educated people are, the greater the productive potential. Since, almost by definition, poor people lack this level of education and skill, this is another way in which poor people's economic activities are considered divorced from economic growth. The strategic response that emerges from this theory is how the poor can be *absorbed* through utilising their (labour) asset (Amis 1995). To address some of these issues, I turn to consider basic needs theory.

Basic needs

Basic needs theory tends to imply that poor people's economic activities could contribute to economic growth if these activities were not disconnected from the mainstream economy. However, the emphasis on basic needs and 'survival' also tends to suggest that poor people have very little capacity to engage in productive activities that could contribute to economic growth. What is clear is that if basic needs are to be met, the structure of the economy requires change. In basic needs theory, a dominant solution of *connection* through the provision of infrastructure or recognition of citizenship is added to the theme of absorption.

Basic needs theory is distinguished from income poverty theory by two characteristics. On the one hand, it was argued, "the basic needs of all should be satisfied before the less essential needs of a few are met..." (Streeten et al. 1981, 8). On the other hand, there was a recognition that only improving the income of those in poverty was not sufficient and a wider conception of poverty was required – a conception that included access to public infrastructure and services, for example.

The basic needs approach adds another dimension to the conventional approaches of increasing income, consumption and employment by focusing on the "provision of the particular goods and services needed by deprived groups – those who starve or are malnourished, those who are suffering from ill health, the homeless..." (Streeten et al. 1981, 109) and in this way shifts the focus to *absolute* poverty in 'developing countries'. Thus, in addition to the poverty line, the theory set out to measure the needs considered 'basic' – those needs "minimally required to sustain life at a decent material level" (Moon 1991, 5). This in turn is defined in terms of

adequate food, water, healthcare, shelter and minimum education (Streeten et al. 1981). Adequacy is therefore defined in a "minimum way and measured in terms of observable outcomes rather than in relation to income or consumption of such 'basic' goods" (Moon 1991, 5). Basic needs can thus be measured as outcomes such as life expectancy, infant mortality, and literacy (Moon 1991). The effect of this shift was to emphasise the survivalist characteristics of poor people that, in turn meant that poor people's economic activities were even less likely to be thought of as contributing to economic growth.

The basic needs theory represents poor people's economic activities in a similar fashion to income poverty theory. From scholars such as Paul Streeten (1977; 1978; 1981) and Norman Hicks (1979) to Richard Sandbrook (1982) and Bruce Moon (1991), there is little attention to poor people's economic activities other than in the form of consumption. If poor people's economic activities are represented in a similar fashion to income poverty approaches, differences emerge in how poor people's economic activities are compared to activities associated with economic growth. This is because economic growth is brought into view in a different way in basic needs theory. Economic growth is still crucial for poverty alleviation. The cause of poverty is not only related to the aggregate output of the economic growth but also to the *structure* of the economy. As Bruce Moon (1991, 14) states, "the basic structure of the economy is the single largest determinant of basic needs provision and certainly the most immediate".

In basic needs theory, poor people's economic activities are considered disconnected from economic growth because, ultimately, the logic of 'survival' is different from the logic of economic growth. This is particularly so, because the economic growth referred to is typically based on processes of urbanisation and industrialisation. Poor people are unable to be part of this industrialising economic growth because they are either undernourished and hence unable to work productively, illiterate and hence unskilled, or without access to water, homes, food and health care and hence often ill and unable to work consistently. In these terms, they are considered to be either outside of, or poorly connected into, the enclaves of economic growth. Indeed the basic needs and income poverty theories pose a similar dilemma to policy-makers. For example, Hicks (1979, 985) reflects on critics of the basic needs theory who "have argued that by emphasising activities which are essentially consumption oriented, the basic needs approach implies a reduction in

the rate of growth". As in income poverty theory, the economic activities of people considered poor revolved primarily around *consumption* rather than investment and long-term production. Supporting poor people's economic activities essentially meant infinitely allocating resources to what were considered a limitless need and thereby quickly draining the country's resources without generating new wealth. Basic needs theory therefore offers little justification for altering the basis of the provision of services and infrastructure that shapes both access and values of land in favour of poor people.

Thus in basic needs theory, poor people are part of the economy to the extent that they are absorbed as labour in the formal economy and to the extent to which they have access to public services and assets such as land, that widen their opportunities and quality of life (as measured by life expectancy, infant mortality, and literacy). The connections that infrastructure provides allow economic growth to be transmitted faster and for poor people to be absorbed quicker in processes of growth.

Sustainable livelihoods

It is in sustainable livelihoods theory that poor people's economic activities are considered most broadly and diversely and thus move the debate about poor people's economic activities contribution to economic growth further along. Ultimately, however, the theory retains the inability to consider poor people's economic activities as contributing to economic growth, but in different ways from both income poverty and basic needs theories.

The sustainable livelihoods approach focuses not only on the impact of impoverishing macro-economic factors, but also the capability of poor households to respond and therefore relates strongly to urban land research that highlights the agency of poor people in obtaining access to land. This focus on household's responses shows that more has to be done (that builds on poor people's activities) to alleviate poverty rather than simply reworking macro-economic policies. Essentially, sustainable livelihoods theory acts as an "antidote to the view of poor people as 'passive' or 'deprived'" (Rakodi 2002b, 10) and dependent on the provision of infrastructure as basic needs theory implicitly suggested. The sustainable livelihoods approach therefore differentiates itself by starting off from a consideration of people's activities rather than their (basic) needs. Implicit in the

view that poor people are adversely affected by changes in the economy and through the focus on their activities, is the recognition that people in poverty are economically active beyond waiting to be absorbed or connected into the mainstream economy (Jhabvala, Sudarshan, and Unni 2003; Devey, Skinner, and Valodia 2004).

Notwithstanding the links back to income poverty theory and basic needs theories, sustainable livelihoods theory is also informed by informality studies (Beall 2002). As Dave Dewar and Vanessa Watson (1991) suggest, this is because the people involved in informal activities are generally, though not exclusively, in the poorest strata of society. The informal economy is commonly regarded as the primary site for poor people's economic activities (Moser 1998). The informal economy acts as a backdrop to the theory and acts as a key force in making it possible to consider how poor people's economic activities could contribute to economic growth.

In sustainable livelihoods theory, the state of the economy determines the economic opportunities available for livelihoods. Economic growth is understood to be 'transmitted directly through the labour market' (Rakodi 2002a, 288). By implication this assumes that, first, economic growth initially excludes poor people's economic activities and second, that it happens somewhere else and then moves, expands or contracts to, or from, poor people through the labour market – seemingly independently of poor people's abilities to affect or engage in altering such 'transmissions' (Amis 2002).

It is also recognised that growth in manufacturing or services industries benefits poor people both directly and indirectly. Processes of globalisation in turn, shape these national growth processes. The focus on globalisation as an economic process stems from the political critique that originally motivated much of sustainable livelihoods theory in the first place. This tends to have the effect of narrowing the view of poor people's economic activities and returning to a view of poor people as passive in the face of processes of globalisation. The view of economic growth that emerges is therefore concerned as much with the *quality* of growth as the *rate* of growth (Osmani 2004). It is recognised that economic growth can be as harmful as beneficial and a dominant concern is reflected in the notion of 'pro-poor' growth (Ravallion 2004).

Notwithstanding the evidence that poor people's economic activities are often more than local (MacGaffey 1991; Peberdy 2000), in practice the view that generally prevails is conveyed by Sheila Meikle (2002, 37) that "the livelihoods of the poor are determined predominantly by the context in which they live and the constraints and opportunities this location presents". This has the effect of confining the activities of poor people to a particular location in comparison with forms of economic growth that stem from processes of globalisation. Although sustainable livelihoods theory recognises the existence and diversity of economic activities, they are generally too small and bound up with the fortunes of the informal economy to impact on global forces.

Ultimately, the livelihood strategies of people in poverty are "determined by household, intra-household and community factors" (Moser 1998, 2). Added to this is the concern with household security and self-sufficiency that is inherited with the development of the theory in a rural context and which serves to reinforce a view of households as discrete and separate entities. Consequently, sustainable livelihoods theory tends to be consistent with income poverty and basic needs theories of poverty by locating poor people's economic activities in the household rather than the economy⁸ and consequently, understanding the possibilities for outputs to be limited. There is no sense in which a secure livelihood contributes to economic growth except by means of not disrupting the prospects for economic growth.

Drawing on studies of the informal economy, poor people's economic activities have 'simply' been *included in* an understanding of the formal economy. However, the informal economy has been added on to the formal economy without questioning the expansive assumptions associated with the formal economy. Since the informal economy is thought of as not fully part of the formal economy (Sudarshan and Unni 2003), poor people's economic activities still remain at one remove from activities associated with economic growth. Cameron and Gibson-Graham (2003, 151) highlight this fact by stressing that although poor people's economic activities are recognised and might be counted, they remain locked in a subordinate position in relation to the formal (capitalist) economy and it is difficult to extrapolate a positive

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⁸ Despite an awareness of the problems of treating the 'household' as the appropriate unit of analysis, the household has remained the "site of poverty" in South Africa (May 1998): for more general critiques see Beall (2002) and Rakodi (1995).

politics of transformation. Indeed, as Sudarshan and Unni (2003, 21) note in respect of the informal economy "the driving force of the economy is not to be located here." The separation of poor people's economic activities from economic growth, albeit in a different form, results in sustainable livelihoods focusing on similar themes of how to absorb, connect, and/or include poor people's economic activities to, or in processes of economic growth.

I would like to draw attention to one very important consequence for initiatives to reduce poverty that emerges when income poverty, basic needs and/or sustainable livelihoods theories are drawn upon. This is that these theories have to gloss over an assumption that poor people's economic activities are disconnected from processes of economic growth, if dominant understandings of economic growth are to be considered as the necessary solution to poverty. I suggest that two effects follow from this.

The first effect is that the ways in which poor people's economic activities are considered to be outside, disconnected and/or excluded from processes of economic growth is taken for granted by researchers. As a result, the underlying assumptions about poor people's economic activities, the concept of economic growth, and the relationship between the two entities are also taken for granted. As I have argued, the reason that poor people's economic activities are not considered to be able to contribute to economic growth is because they are perceived as conceptually different from other kinds of activities. The difference is based on assumptions about the respective logic or dynamics, types of activities, sizes and scales and locations of both sets of activities. It follows that this conceptual difference must be based on an understanding of inherent differences between the categories of poor people's economic activities and activities which contribute to economic growth. The identification of the essential qualities of these two categories enables the activities to be considered both different and independent of each other.

The second effect is that poor people are disabled from making *immediate* claims on the results of economic growth and divorced from participating directly in arenas that (re)distribute such results (such as access to land) as may be produced. This is because the right to claims on the results of economic growth and to participate in distributing these results are considered to fall first and foremost to

those who are perceived as having contributed directly to it. The line of reasoning that progress depends on those who 'work' is considered fundamental to the constitution of, and participation in, modern liberal democracies and the welfare state (Dean 1991; Miller and Rose 1990; Walters 1994). The consequence for those not regarded as contributing to societal progress, is that the state, elites and indeed poverty researchers are introduced to adjudicate on which of the claims made by poor people are legitimate.

In sum, I suggested that by not questioning how poor people are represented in relation to 'the economy' in dominant theories of poverty, policy makers wanting to make urban land markets work for the poor inherit an implicit understanding that privileges 'markets' as the dominant form of exchange and that poor people are separated from the processes of economic growth of which urban land markets are a key part. There is thus little justification for making urban land markets work for the poor. To develop theories of poverty that invest in different understandings of the economy is beyond the scope of this paper. Nevertheless, this example serves to illustrate the need to engage in reconceptualising the economy to be able to reduce poverty more effectively. It also highlights the role of a process such as 'making land markets work for the poor' which both constitutes who 'the poor' are and identifies their relation to 'the economy, in starting to reconceptualise the economy. In the following section, I develop the argument of this section by focusing on representations of geographic space that are raised in the dominant theories of poverty.

II The spaces of poor people in urban areas as represented in theories of poverty

The aim of this section is to show that the understandings of the spatiality of poor people's economic activities that are embodied in the dominant theories of poverty reinforce the view that poor people are unable to contribute to economic growth. There are two ways in which this happens. Firstly, I show how the concept of urban poverty actually makes very little reference to the effects of urban space. Secondly, I show how within cities poor people's activities are considered by policy makers to be confined to certain parts of the city. The parts of the city that are inhabited by poor people tend to overlap with the parts of the city that are considered to be unable to contribute to economic growth. This reinforces the view identified in the

previous section, which suggested that the theories perceive poor people's economic activities as divorced from processes of economic growth.

Aspatial theory

The importance of the view that urban land markets efficiently distribute (productive) land uses means that it is very important to pay attention to how theories of poverty represent the spatialities of poor people's economic activities. Surprisingly, while a rich diversity of experiences of being poor is acknowledged in poverty research, representations of the spaces in which poor people operate economically are remarkably abstract and aspatial.

Within the three dominant theories, urban poverty is considered as having the same underlying causes as 'general poverty' (Wratten 1995). The ways that spaces overlap, fragment, and/or connect activities have no causative role in shaping economic activities in theories of poverty. This raises problems for South African policy makers that are highly attuned to the consequences of the divisions and fragmentations of urban space (Parnell 1997).

Instead, poverty theorists have identified a range of effects of poverty that can combine uniquely in urban areas in ways that only "intensify the insecurity and lifethreatening health risks experienced with poverty" (Wratten 1995, 25). These effects include the observation that urban poverty appears more embedded in the national and global capitalist economy. Thus urban poverty relates to the greater reliance of urban households on income and the monetary economy and relatively lesser reliance on the natural environment to produce food (Moser 1998). The means of accessing assets such as land, water and shelter are generally more commoditised and urban forms of governance tend to underscore these differences with rural poverty (Farrington, Ramasut, and Walker 2002). Ellen Wratten (1995, 25) also points to issues such as social fragmentation and crime, and negative contact with the state and police as important issues for poor people in urban areas. Together these effects of urban poverty exacerbate the exposure of people to the vicissitudes of the global (capitalist) economy and interventions such as Structural Adjustment Programmes (McMichael 1998; Green 1998). Wratten suggests that distinguishing urban poverty from rural poverty "may have the undesirable effect of straight-jacketing discussion about the structural causes of poverty and diverting the attention from national and international level solutions" (1995, 20). In effect,

the underlying and structural causes of poverty are as aspatial as the aspatial logic of the economic growth identified in Section I.

This aspatial assumption has important implications. In particular it allows town planners to draw on abstract economic assumptions about the logic or competitive rationalities that guide or govern social interaction. This in turn allows for the application of 'spatial assessment criteria' that have no inherent spatiality but which are derived from an abstract understanding of economic rationality. The implications of this view is that to contribute to economic growth an activity must be well-located in relation to the overall location of economic activity. It must be easily accessible and have good transport links to other important activities and must contribute to the establishment of thresholds that constitute the efficient operation of economic markets. In this view, successful economic activity depends on physical concentration and proximity (Dewar and Watson 1991). The result is that economic activities that fall outside of these 'spatial assessment criteria' are considered unlikely to be able to contribute to economic growth. By way of example, areas outside the 'spatial assessment criteria' include peripheral areas; typically lower income residential areas with poor linkages to formal economic opportunities. This means that the "inhabitants of the peripheral settlements are firstly, restricted in their efforts to access markets and opportunities... and secondly, do not benefit from 'passing trade' ...[and] ... the thresholds for economic activity within the peripheral areas are both highly fragmented and low level" (Markewicz English, Mander, and Mbokodo 2000, 38). In such situations, the activities that are located in the peripheral areas of the poor are unlikely to be considered as contributing to economic growth. As a result, the "focus on competitive strengths and advantages has tended to concentrate attention on areas of existing economic activity, so marginalising predominantly residential lowincome areas" (Harrison, Todes, and Watson 1997, 58).

There is an additional limitation that current dominant understandings of poor people's spatial activities introduces. This is the view that it is possible to draw boundaries around poor people and hence, that poverty is spatially confined.

Spatial confinement

Dominant approaches to poverty suggest that "to solve the problem, we must first find out who the poor are, what the extent of their poverty is, where they live and

what causes their poverty. This is based on a belief that a study of the poor will reveal why they are poor" (Yapa 1998, 99, emphasis added). This leads to the measurement of poverty typically through household surveys that can be located in geographic space (Cooper 2003). Particular characteristics (such as race or gender) are then grouped together to 'explain' the causes of poverty. As Lakshman Yapa (1998, 98) points out poverty is reified when poor people are considered as a "distinct entity with stable internal characteristics whose study will reveal the causes of poverty". But importantly, this process of reification also has spatial implications and firm boundaries are drawn around 'pockets' of (urban) poverty.

This process tends to be reinforced in South Africa by the strong desire to move beyond non-racial discourses in the post-Apartheid period and by the systems of local government. South Africa's particular urban history has meant that two features have added weight to the view that poverty is spatially confined. The first feature is race. The geographic distribution of different racial groups from the 1913 Land Act meant that by the time of democratic elections in 1994, race and space were overwhelmingly co-extensive.

The second feature is the great disparities in the levels of infrastructure that are co-extensive with the race/space divisions. Thus South Africa's first post-Apartheid government inherited a dominant view of poverty as being co-extensive with race and particular geographic spaces. As part of the desire to move away from racial inequalities in the immediate post-Apartheid period, the description of racial inequalities as urban inequalities could perform the same function. The lack of services and infrastructure in particular areas therefore provided an important spatial referent for the way development was imagined. Thus, the focus on the physical condition of settlements translates poverty reduction strategies into the provision and upgrading of public infrastructure.

The link and eventual conflation between poverty alleviation and infrastructure provision is provided by basic needs theory. Diana Mitlin (1995, 7) points out that when "urban poverty is understood as more than lack of income [and] includes all aspects of deprivation then a greater range of initiatives to improve housing,

s is not to deny the enormous material inequalities, but rath

⁹ This is not to deny the enormous material inequalities, but rather to point to the role of how these inequalities are represented in policy terms.

health, transport and basic services become part of poverty reduction". Each of these services has particular spatial implications for the way in which they are delivered and used. The net result is that poverty tends to be perceived as spatially confined to informal settlements and 'slums'. 10 Consequently, policy makers arrive at a view that poverty is confined to informal settlements and economic growth is confined to the formal economy and the 'productive' infrastructure on which it is based. The two spaces are separated and independent from each other. However, while the real economy and economic growth can reduce poverty the spaces of poor people are marginal, peripheral and closely bound to local needs. There is clearly a danger that an assumption of poverty as spatially confined in urban areas will lead to a view that the locus of making urban land markets work for the poor is to be found in informal settlements and other marginal areas occupied by poor people.

In sum, the issue of urban land necessarily directs attention to the geography of (economic) activities in towns and cities. There have been many South African studies that are highly sensitive to the geographies of poor people's economic activities (cf. Cross et al. 2001; Dierwechter 2004; Simone 2004). Such studies show how poor people's economic activities are shaped by the specific geographies of South Africa's cities and how their activities go beyond the spatial boundaries around poverty that are imagined by policy makers. This brings the analysis to consider the implications of the argument of this paper for making urban land markets work for the poor.

III Implications

The previous three sections have suggested that there is a dominant view of economic growth and that the efficient operation of urban land markets are deeply embedded in this view. Simultaneously, theories of poverty rely heavily on this same model of economic growth. The consequences of which are that policy makers understand poor people's economic activities to be divorced from economic growth. I turn now to consider the implications of this analysis of 'the (spatial) economy' for an approach to 'making urban land markets work for the poor'. This section concludes by suggesting how an approach to making urban land markets work for the poor provides an important means of constituting a more diverse understanding

¹⁰ See Davis (2004), Gilbert (1982), Ravallion (2002) and United Nations Human Settlements Programme (2003).

of urban economies and thus offers the potential to develop another 'place' for markets within a reconceptualised understanding of economic growth. I begin by sketching possible ways in which the underlying concept of 'making markets work for the poor' could be developed in relation to land markets and note the likely consequences for poor people. This opens the way to suggest why and how it is necessary to re-place the market.

Drawing on DfID's (2005) conceptual paper there appear to be two main directions in which an approach to making urban land markets work for the poor could be developed. The underlying principle appears to be that participation of poor people in a market will both contribute to overall economic growth and reduce poverty. Thus the first focus is on how the participation of poor people can be ensured by expanding markets. The suggestion is that markets can be expanded by diversifying the quantity and quality of units available so that if the size of the land and characteristics of urban land are reduced and combined in particular ways, poor people will eventually be able to afford a unit and the market will have efficiently allocated the land to its most productive use. The second focus is that the diversification of the nature of units of land is to be achieved by 'segmenting' the land market so that interventions in the land market can be more (spatially) targeted. However, the other purpose of segmenting the land market is to ensure that any interventions (such as subsidies or price ceilings) do not distort the 'real' land markets that are understood to underpin economic growth. I argue that what both these directions fail to do is engage with social power relations. The neutral view of markets as 'institutions that exist to facilitate exchange' (DfID 2005, 4) takes precedence over the ways that markets embody power relations and exclude particular people (DfID 2005, 5) because "before a market can work for the poor, it must first be able to work at all" (DfID 2005, 9, emphasis in the original). By failing to address, power relations contained in asymmetries in knowledge, inequalities in wealth, and advantageous spatial locations, approaches to making markets work for the poor severely risk entrenching power relations and opening up new areas of poor people's lives to new forms of exploitation. As a means of addressing these power relations, I suggest two ways to 're-place' markets and reconceptualise the economy of which economic growth is a part. These are: to examine the ways in which 'markets' are performed and to examine the ways that economies and markets are always more diverse and less coherent than they are made out to be

and thus admit a wider range of activities. I consider each of these practical strategies in turn.

Markets as being performed

There is an established tradition within economic anthropology that questions the universal and 'natural' existence of markets as a concept (cf. Carrier 1997, 2005; Gudeman 1986). "What is a market? Is it a place, is it a process, a principle, a power? History yields no definitive answers to these questions" (Agnew 1986, 17 in Dilley 1992, 2). Roy Dilley (1992, 8) notes further that when we try to identify markets "most vanish under scrutiny". As evidence, he cites two examples. The first is the acknowledgement that items (such as land) have complex meanings and the status of these objects change according to the social context. Referring to land as a commodity, then, refers to only a brief moment in its social trajectory and this questions the possibilities of constructing a market through aggregating (stable) individual transactions. The second relates to the price mechanism as the primary means of equating supply and demand. He notes that there is "little empirical evidence ever summoned to show how supply and demand do actually determine prices" (Dilley 1992, 8). Indeed, in situations where suppliers try to raise prices to meet increased demand this tends to be considered unfair. This leads Dilley to conclude that "since price alone is not a good determinant of market behaviour, nor does it equilibrate supply and demand, the extent to which the price mechanism operates must be seen as a function of ... culturally specific knowledge through which notions of price are apprehended" (1992, 9). This has direct implications for the operation of the dominant models of urban land markets that rely on land-price assumptions (see Harvey and Jowsey 2004).

On this basis Gregory and Altman (1989, 3) express the view that "economics is not economy. Economics is what economists do; it is a mode of analysis concerned with ideas about the economy". From here it is but a short step to the argument that "economics, in the broad sense of the term, performs, shapes and formats the economy, rather than observing how it functions" (Callon 1998, 2). More recently these insights have been applied to land and housing 'markets' in the UK (cf. Pryke and du Gay 2002; Smith, Munro, and Christie 2006).¹¹ If economists' land-price

¹¹ See also Soares de Magalhães (1999), Guy and Hennebury (2000) Edwards (2000) and Healy and Barrett (1990).

models are representations and performances of markets and the economy, how are we to account for people's everyday economic practices? One answer to this question can be found in developing a more diverse understanding of economic activities.

Diverse economies

The second way in which 'the economy' can start to be reconceptualised by an approach to urban land markets is to diversify the range of activities through which land is 'produced', used, and exchanged and not to presuppose that it is only formal land markets that contribute to economic growth. The aim here is to turn the focus on activities rather than outputs and rates of profitability from investments. Once the focus shifts to activities, it is apparent that the number of economic activities in the informal economy, state sector, household economy, non-profit and co-operative sectors outweighs those activities that are typically identified as being in the formal economy (Gibson-Graham 1996). By widening the scope of activities and land uses that are considered economic, the possibility to include poor people's economic activities in processes of urban economic growth is greater. 12 However, it is also necessary to show that economic growth depends on more than the formal markets. One way of doing this is to show how economic activities are always understood in relation to each other. Economic activities therefore co-constitute each other in networks of interdependencies that means it is difficult to either bound or isolate single economic activities that can are responsible for economic growth. In this view, economists' abstract models serve as cultural devices to arbitrarily define which activities can be considered as contributing to economic growth. This richer understanding of an economy allows for a more diverse understanding of how economic agents engage in economic transactions. In such a view, the market is only one way of engaging in economic activity. Thus, while it is likely that the market mechanism will disadvantage poor people, it is fortunately only one means of making the calculations underlying economic activity (Barry 2002; Callon 1998; Miller 2002). As economists have pointed out, it is particularly useful in co-ordinating the economic activities of many strangers, such as in the

There is extensive work in South Africa on diverse aspects of South Africa's economy. This includes work on how the natural resource base subsidises poor people's livelihoods (eThekwini Municipality 2001, 4), the informal economy (Preston-Whyte and Rogerson 1991; Skinner 2005), and the self-help economy of housing.

exchange of land (cf. Needham and de Kam 2004). But we should not confuse the market with an exchange of money. Money may change hands but the way in which economic actors calculate transactions (that are understood to constitute markets) depends on how we see the transaction or exchange relating, confirming or contributing to our greater sense of 'being' whether this has roots in religion, belief, location, reproduction, learning, being a consumer or a man or a woman (Graeber 2005).

Certainly an exchange between economic actors will refer to the market in some way. It is difficult to imagine a transaction/calculation that could occur without referencing the market in some way. But in this light, the market is only one cultural device that is used to co-ordinate economic activity and in particular, poor people are urged to conform to wealthy people's understanding. But markets are constructed by specific understandings of the supply and demand of land that are not predetermined. Indices are constructed to equate land with other financial assets. Specific actors and institutions generate economic discourses that locate land markets within certain understandings of financial yields and economic growth.

In conclusion, I outline a range of suggestive practices that offer the potential to 're-place' markets in an understanding of a diverse economy that begins to reconceptualise economic growth. One set of practices relate to performing the economy in ways that are more in tune with the interests of poor people. There is a need to develop different 'stories' of urban land markets, poor people's productivity and economic growth so that when markets are referred to, they embody a different set of criteria. This involves thinking through how urban land markets are related to supporting networks of innovation and productivity rather than immediately reducing all issues to profitability and outputs. One such criterion might be to value land in terms of its ability to create new forms of interdependencies between economic activities. Another might be to argue that the supply of serviced land to poor people is an investment rather than meeting an (infinite) consumption need.¹³

¹³ Research shows that access to serviced and well-located land provides poor people with more than shelter. Such an asset has multiple uses such as providing rental space (Moser 1998) and opportunities for home-based enterprises (Cross 2000).

A second set of practices relates to not presupposing that 'first/formal economy' land markets are any spatially and conceptually more responsible for economic growth than 'second/informal economy' markets. Research that identifies the complex interrelationships of agents and institutions involved in land transactions could begin to highlight the interdependencies between different transactions around land. Without privileging formal markets as the only 'real' form of exchanging and using land, it is possible to draw on the existing research into land markets and develop ways of supporting diverse forms of exchange. I argue that the practices I am sketching out here offer the basis for a progressive politics of transforming how poor people access urban land.

IV Conclusion

In this paper, I have set out to challenge two representations that currently confine attempts to address poverty through making urban land markets work for the poor. The first representation is the widely held view that urban land markets are deeply and fundamentally embedded in the functioning of the economy and its growth. Economic growth is considered dependent on the efficient distribution of (productive) land uses and, so the argument goes, efficient land markets are fundamental to the most productive distribution and allocation of land uses. The most optimal outcome occurs when land markets are functioning efficiently (i.e. competitively). The effect for poor people is that in terms of this competitive logic poor people are likely to be (competitively) excluded from favourable, 'productive' locations and consigned to marginal locations in urban areas. Such a view is given added emphasis by the increasing weight policy makers attach to the view that economic growth is increasingly to be found in urban areas – primarily cities (DfID 2001: Grant 2004).

The second representation that existing understandings of urban land markets fail to confront is that poor people's economic activities are considered unable to contribute to urban economic growth (for example, Amis 2004; Beall 2002; Devas 2004; Rakodi 2002a). Since poor people are considered by policy makers to be unable to contribute to the processes of economic growth and land markets are bound into specific views of economic growth, the ability to justify and argue for meaningful changes to the way in which poor people access and exchange land is limited. However, by broadening dominant understandings of 'the economy' to include poor people's economic activities and by shifting the current view of how

urban land markets are bound to processes of economic growth it becomes possible to imagine and justify a transformative agenda through which urban land markets really are *made* to work for poor people.

Failing to confront these representations raises important concerns. One set of concerns is that approaches to making urban land markets work for the poor could result in market mechanisms being unduly privileged over other diverse forms of exchange that poor people have developed, development assistance being channelled to the 'private sector' rather than the poor (DfID 2005, 1-6) and a narrowing of emphasis on ownership rather than access to land rights. Another set of concerns arise from the less obvious realisation that how policy makers understand that poor people relate to the economy is already the consequence of a set of assumptions which have the effect of privileging the formal (land) market and economic growth and the agents that currently benefit from these arrangements. But above all, the analysis of this paper draws attention to how markets are made. Failing to *make* land markets in a different way to the dominant models means failing to challenge the power relations that perpetuate poverty and inequality.

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¹⁴ See for example, the concerns of Payne (2001).

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