A Model of Nonlinear Urbanization and
Information Flows Across India

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March 4, 2013
Abstract

Urbanization in the 21st century is increasingly shaped by distal flows of people, capital, and information across the landscape. In India, these flows are predicated on expectations informed by the propagation of information across social networks. Networks across rural-urban boundaries and between urban centers are a principle mechanism underlying migration and investment patterns. These patterns shape and are shaped by the growth of city-regions. Our driving research question is: How does the strength of signal propagation across social networks underlying spatial flows affect emergent patterns of urban land-use change? To examine this relationship, we developed an agent-based model of regional-scale urbanization for the extent of India on a spatially explicit grid derived from satellite data wherein we represent the dynamics of decisions made by: land developers, families, state governments, corporations, and property management companies. Decisions made by family agents are based on information propagated across an adaptive social network. We varied the probability of data transmission across the network to simulate the effects of strong and weak social networks on spatial patterns of urbanization.

Introduction

Most of the projected urbanization in India is expected to occur over the next two decades (United Nations, 2012). This growth will account for roughly 16% of the global increase in urban population. Urban expansion is increasingly being shaped by distal flows of people, materials, and information across the landscape rather than local processes (Seto, 2012). The dynamics that underlie these flows in India have been rapidly changing since liberalization in 1991.
Since liberalization, India has been undergoing a social and economic transition. Foreign direct investment has increased by several orders of magnitude over this period (Singh, 2005). With the influx of a multitude of new tertiary sector labor opportunities, the value of education has increased. The number of people investing in higher education has tripled on the interval between 1991 and 2005 (Agarwal, 2006). Many of these new labor and educational opportunities are located in major cities, drawing people from across the country (Seto, 2011). The simultaneous increase in skilled labor and desirable labor opportunities driven by multinational investment has been accompanied by an increase in the rate of migration from rural to urban and between urban areas.

The process of information and human capital moving across the landscape is facilitated by and results in the formation of social networks (Kossinets, 2006). In India, social networks are the principle mechanism by which information about housing and labor opportunities is propagated (Banerjee, 1981; Banerjee, 1984; Kerr, 2011). The behavior of complex ad hoc networks is related to connectivity and conductivity (Newman, 2003). As a result, the pathways by which information is propagated across the network affects decisions made by families, and is affected by consequent decisions to relocate, for example. The adaptation of networks of flows, including information and human, is a mechanism by which cities are capable of self-organizing on a regional scale (Batty, 2008). The formation and adaptation of these networks is a dynamic process that affects and is affected by the development of the urban environment. It is difficult to predict how properties of the network will affect the emergence of regional-scale urbanization because these networks are embedded in a complex system comprised of
economic, physical, and social subsystem. Our objective is to understand how the
strength of signal propagation across the social networks underlying human and capital
flows will affect emergent urbanization patterns.

Equilibrium models of urbanization are largely incapable of dealing with
nonlinearities captured within long-time-scale system boundaries (Feigenbaum, 2003).
This set of methodologies is incompatible with representing regional dynamics of
urbanization – on this scale cities are open systems that exchange people, materials, and
information nonlinearly (Allen, 1997). Dynamical models are capable of representing the
underlying processes of urbanization with mechanisms for co-adaptation and evolution
(Werner, 2007). Allen (1997) and Batty (2001), for example, have used dynamical
models for land cover change but these models did not attempt to represent actual
decision making processes or aspatial network formation. These models are useful in
exploring the theoretical implications of urban networks, but offer no insight into the
workings of actual cities.

Our approach is to approximate human decision-making (following: McNamara
and Werner, 2008a,b); in a dynamical model to explore system stability and adaptability
(Alberti, 2000). The output from this spatially explicit agent-based model will be used to
assess how properties of social networks affect urbanization through adaptive
socioeconomic systems. We will examine the effects of properties of network formation
on patterns of urbanization.

Model

The simulation is a spatially explicit model that represents the decision-making
process of land developers, property managers, families, state governments, and
multinational corporations in India. These processes are categorized into modules by agent type to facilitate description. Each agent makes decisions, described in the sections below, to approximate decisions made by actors in the system on annual to decadal time scales.

**Grid**

Decisions made by agents are represented on a spatially explicit grid. Land and property values within each cell are in equilibrium. Each cell represents a 1 km\(^2\) area. The grid is initialized with nighttime lights data (NTL) data from 2001 for the extent of India. NTL data has been used as a proxy for economic activity/urban intensity (Zhang, 2011). This dataset is transformed so that the total area of each cell is comprised of three components used in the model: cleared, residential, and commercial land-use types. The purpose of the transformation is to produce a grid for the simulation that is morphologically similar to urban areas in India. For the \(i\)th cell, cleared \((l)\), residential \((r)\), and commercial \((c)\) areas are disaggregated from DN values:

\[
l = \frac{1 - DN}{DN_{\text{max}}},
\]

\[
r = (1 - l)\gamma,
\]

\[
c = (1 - l)(1 - \gamma),
\]

and,

\[
\gamma = U[0, 1].
\]

The grid provides a spatial context for the scale of simulated development, however, it is not a predictive space and does is not interpretable as a map of future development.
Figure 1 Initial grid simulated from NTL data (2001). Each cell is comprised of open space (red), commercial (blue) and residential (green) components.

The land in each cell can be owned in whole or in part by different land developer agents (see *Land Developer Module* below). As the agents convert cleared land to developed property, the average height of buildings of each type is updated to yield a total square footage value for each property type for each developer agent for each cell.

Figure 2: Each cell on the grid has discrete spatial and market values. Sub-pixel attributes are continuously represented, including ownership and land-use footprint areas.

**Land Developer Module**

Ten land developer agents are initialized with heterogeneous risk aversion coefficients. These developer agents choose from 400 different projections for the prices
of land and commercial and residential property in each cell. Land developer agents employ the model with the lowest variance plus small nonsystematic noise (Werner, 2008). Each land developer agent evaluates the expected profit and risk of purchasing land and constructing buildings on each parcel of land. The demand for the number of areal units of a building for the $i$th agent in the $j$th tract is $n$ (Gennotte and Leland, 1990; Feigenbaum, 2003):

$$n = \frac{\langle p \rangle_{ij} h^*_j - (1 + r)C(h^*_j)l_{ij}}{\omega_i \sigma^2_{ij}},$$

where $\langle p \rangle$ is the projected price per square foot completed floor space in the $j$th cell, $r$ is the safe rate of return, $C$ is the cost function for the mean price per square foot of construction of a building with optimal height, $h^*$. The cost function, $C$ yields the average price of floor space construction as a power function of height, $h$, (Mann, 1992):

$$C = p(1 + \alpha)^h. \quad (1)$$

The price of land is $l$, $\omega$ is the risk aversion coefficient for the $i$th land developer agent, and $\sigma^2$ is the estimated variance of the price projection. The optimal building height, $h^*$, is the numerical solution of:

$$\alpha h^3 + h^2 - \frac{l}{p \ln(1 + \alpha)} = 0.$$

This function is the solution to the minimization of the average cost of construction per square foot including land price, $l$, which is a modification of equation 1 above:

$$\langle C \rangle = p(1 + \alpha)^h + \frac{l}{h}.$$

Agents appraise available property and invest in a portfolio of projects with the greatest cumulative demand that does not exceed a fixed annual budget.
Developer agents acquire land from the state government through a competitive bidding process. For the \( j \)th parcel, the \( i \)th interested land developer agent submits a proposal for the quantity of land and a price, \( G_{ij} \):

\[
G_{ij} = \alpha_i p_j
\]

where \( p_j \) is the current value of land at the \( j \)th parcel and \( \alpha_i \) is the bidding ratio employed by the \( i \)th agent. The state government distributes the full amount of land requested to bidders in order of highest bid until all available land in \( j \) is distributed. The optimal bidding amount is an infinitesimal increment greater than the second place bid for all cells. Agents track bidding errors with respect to the optimal bid, \( E \). Agents adjust \( \alpha \) adaptively to minimize bidding errors, both over and underbidding (Dasgupta and Das, 2000):

\[
\alpha_{t+1} = \alpha_t + \delta_t \text{sign}(\alpha_t - \alpha_{t-1}) \text{sign}(E_{t-1} - E_t),
\]

where,

\[
\delta_t = \delta_{t-1} \varepsilon^{\text{sign}(E_{t-1} - E_t)},
\]

and \( \varepsilon \) is a small constant parameter.

**Property Manager Module**

Ten property manager agents invest in residential and commercial space on the grid and rent this stock to firm and family agents to maximize profit from both property speculation and rental revenue. Property manager agents project property values and rental rates across space using the same projection models as the land developer agents. The demand for the amount of property space by the \( i \)th property manager agent in the \( j \)th cell is \( n \) (Gennotte and Leland, 1990; Feigenbaum, 2003):
\[ n = \frac{\langle R \rangle + p_j}{\omega \sigma^2_{ij}} - p_j (1 + r), \]

where \( \langle R \rangle \) and \( \langle p \rangle \) are the projected rental rates and property values for the next time step, respectively, and \( p \) is the current property value. Agents make offers on the optimal portfolio of properties within a fixed budget. When the demand for property exceeds supply, the fraction of available land awarded to the \( i \)th property manager agent, \( f_i \), is:

\[ f_i = \frac{n_i}{\sum_{i=1}^{N} n_i}. \]

Family Module

In the model, family agents make decisions about where to live and work in order to maximize income. All information used to make these decisions is propagated across a spatially explicit social network. Banerjee (1984) and Mitra (2004) describe informational remittances by immigrants to their hometowns as driving migration patterns. Propagation of information in the model represents both spatially local diffusion (through random interactions) and information shared about the current location of a family with the “home” cell where the family formed. Estimates for values on the grid are produced with an inverse distance weighted average (IDW) using available observations:

\[ u(x) = \sum_{i=0}^{N} \frac{Z w_i(x) u(x_i)}{\sum_{j=0}^{N} w_j(x)}, \]

where,

\[ w_i(x) = d(x, x_i)^{-1}, \]

and \( u(x_i) \) is the value of the \( i \)th observation, \( d \) is the distance between the \( i \)th cell and an arbitrary cell, \( x \). The spatial interpolation available to family agents in the \( i \)th cell
incorporates observations at cells where family agents that originated in the $i$th cell are currently located. Interpolations for the $i$th cell are averaged (IDW) with local cells to account for information sharing. Observations with a weight less than 0.1 are ignored for computational efficiency.

IDW averages are propagated between cells where there is at least one family that originated and currently resides in either cell to represent informational remittances by families that move. These distal IDW averages are averaged with local IDW averages to incorporate both types of data. Averages used by agents in subsequent modules are generally limited to information that has been propagated across the network.

A dissipation parameter, $\chi$, is varied between 0 and 1 and represents that probability that information is propagated across the network at the $i$th cell. When $\chi$ is 0, members of the same social network have perfect knowledge of all observations in the network. As $\chi$ approaches 1, the probability of each observation being diffused and propagated approaches 0. The variation of this parameter will be used to examine how the strength of social network signal propagation affects urbanization.

Migration is driven by a combination of push and pull factors (Kainth, 2010). A primary push factor is lack of economic opportunity. Family agents compare current aggregate income against average opportunities as informed by their respective social network. The income differential between current and expected opportunities, $K$, represents an estimate of push factors:

$$K = \left( H + e \sum (w_e R_e) + n \sum (w_n R_n) \right) - \left( W + \langle H \rangle \right),$$

where $W$ is the current total wages earned by the family, $H$ is the current rent paid for housing, $e$ is the number of educated family members, and $n$ is the number of non-
educated family members. \( \langle w \rangle \) is the mean wage across the social network, \( \langle R \rangle \) is the mean employment rate across the social network, and the subscripts \( e \) and \( n \) denote educated and non-educated, respectively. \( \langle H \rangle \) is the mean rent across the social network.

Family agents with positive \( K \) become prospective migrants.

Prospective migrant agents estimate the value of pull factors, \( B \), for each cell on the grid:

\[
B = e\langle w_e R_e \rangle + n\langle w_n R_n \rangle - (H + \langle m \rangle),
\]

where \( \langle m \rangle \) is the IDW average of transportation cost, which is a linear function of distance between the \( i \)th cell and cells with labor opportunities. \( H \) is the rental cost in the \( i \)th cell and \( \langle wR \rangle \) is the IDW average of wages and employment rates in cells with employment opportunities neighboring the \( i \)th housing cell. Prospective migrants choose to move to the cell where \( B \) is maximized. In cases where the demand for rental space in a cell exceeds the available space, units are randomly distributed to applicants, and unsuccessful applicants do not move.

Casual labor and retail sectors are significant segments of the Indian economy, and urban space consumers. In this version of the model, these segments are reduced to a linear scale with population density. For each person agent in a given cell, a demand for commercial space, \( d_R \), is:

\[
d_R = \alpha_R K,
\]

where \( \alpha_R \) is a conversion factor that relates total population in each cell, \( K \), to the retail economies associated with that population. This demand draws on available commercial space and may affect the price of commercial space using the same mechanism for renting as for families, however, the source of money for rent is external.
Education Module

Family agents are each comprised of subagent workers, which are defined by an age, skill level, and income. Uneducated people subagents currently located in the $i$th cell calculate the expected value of investing in education using information propagated across their social network:

$$B = L[(w, R_e - w) - \langle T \rangle],$$

where the subscript $\langle w_e \rangle$ is the mean wage for educated labor, $\langle R_e \rangle$ is the employment rate for educated. $w$ is the current wage for the worked (unemployed workers use mean wage and employment rate estimates across the social network). $L$ is the difference between current age and maximum working age, and $\langle T \rangle$ is the mean tuition across the network. When $B$ is positive and $\langle T \rangle <$ family agent capital, people subagents become prospective students.

Prospective students choose an optimal location for education by maximizing total income, $I$:

$$I = L\langle wR \rangle - (T + H + m),$$

where $\langle wR \rangle$ is the product of the IDW averages of post-graduate wage and employment rate for universities surrounding the $i$th cell. $T$, $H$, and $m$ are the IDW averages of tuition, housing rent for an individual, and transportation costs in the $i$th cell. $H$ is 0 for the cell where the corresponding family agent currently lives. $m$ is a linear function of distance between the housing cell and the university cell. When the optimal cell is not coincident with the family agent, the prospective subagent nucleates to form a separate family agent and moves for school.

IT and Manufacturing Firms
This module represents decisions made by two types of representative firms: information technology and manufacturing firms. The model is initialized with ten of each type of agent with some initial capital. IT agents can produce a fungible technology good and manufacturing agents can produce a material good by investing in production space and hiring employees. Each firm agent computes the number of units of commercial space to purchase in every cell, \( n \):

\[
n = \frac{P j \psi - (\psi \langle L \rangle + R + j \psi \mu)}{\omega \sigma^2},
\]

where \( P \) is the projected price per unit of good, \( j \) is the number of units that can be produced by an employee, \( \psi \) is the number of employees that can be hired per unit commercial space, \( \langle L \rangle \) is the mean wage of labor in the neighborhood of the \( i \)th cell being considered for investment, \( R \) is the contemporaneous rent per unit area in cell \( i \), \( \mu \) is the cost of input material per unit, \( \omega \) is the risk aversion coefficient for each firm, and \( \sigma^2 \) is the estimated variance of the labor cost projection. Each industry has only one input good and one output good and the prices associated with these are held constant and are not a function of space.

IT agents can only hire educated labor and manufacturing agents can hire either educated or uneducated labor. Each firm projects unitary labor costs using data on previous labor costs in the \( i \)th cell with a set of linear projection models. At each time step, firms reassess their economic activity in every cell in which they have operating facilities. Firms with unprofitable facilities release their leases and employees in those cells.

State Government
State agents make decisions about which cells to designate as development areas and investment in colleges. In this version, each state opens a small number of cells for development at the end of each time step. Each new cell must be contiguous to existing development cells. In future, this mechanism will incorporate a cost-benefit analysis to weigh the expected income from new development against costs associated with agricultural land and tax revenue loss.

State government agents also invest in college infrastructure. The optimal investment is dynamic and difficult to project, so agents use a hill-climbing algorithm to approximate an optimal strategy. The agents use an adaptive step algorithm optimize economic gains from revenue, $H$, by adjusting the annual budget for education investment, $B$ (Dasgupta and Das, 2000):

$$B_{t+1} = B_t + \delta_t \text{sign}(B_t - B_{t-1}) \text{sign}(H_{t-1} - H_t),$$

where,

$$\delta_t = \delta_{t-1} e^{\text{sign}(H_{t-1} - H_t)},$$

and $e$ is a small constant parameter.

Each state assesses the investment potential at every cell within their boundaries. The demand for a unit of educational space, $e$, is:

$$e = gD - (R + zL),$$

where $g$ is the number of students that can be trained per unit, $D$ is the state-wide average lifetime differential in earning potential per person, $R$ is the unitary rent in the $i$th cell, $z$ is a constant number of educated laborers to be hired per unit and $L$ is the wage rate for educated labor in the $i$th cell. State government agents distribute investments across cells with positive $e$ proportionally to their relative $e$ values.
Land and Property Markets

Land and property prices are endogenously determined in the model. Prices adjust dynamically as a function of demand, $D$, and supply, $S$ (Nicholson, 1995):

$$\frac{dP}{dt} = \alpha_p (D - S),$$

where $\alpha_p$ is a constant of proportionality.

Output

Figure 3 Using a sparse sub-grid, the model is run over 15 time steps (top). The bottom pane shows the self-organization of social networks over the same time period.

Figure 3 shows the development of a sparse sub-grid in the model developing over 15 time steps. The simulation produces some patches that are commercial, residential, or a mix of development types. This behavior may depend on a fully scaled version of the model and is pending further analysis.
Social networks are initialized with random nodes. The lower pane shows the self-organization of networks into coherent connections between clusters of urban areas on the grid by time step 15. Some parcels on the grid are not connected to the social network because families have not yet moved to these cells, which were developed rapidly in previous time steps.

**Next Steps**

The model encounters several computational bottlenecks associated with the social network diffusion algorithms that scale with the density of urban cells on the grid. These computations will be broken into several pieces for parallelization on the Yale High Performance Cluster. After this, the model will be capable of running on the entire extent of India for densities where the number of urban cells approaches the total number of cells.

The fully scaled version of the model will be run with variations of the parameter controlling the dissipation of information across the social networks, $\chi$. This parameter represents the connectivity of social networks, which is related to changes in social behavior. The variation in this parameter will be compared to time series of urbanization on the grid in terms of: land use change, land use type, fragmentation, and cell cluster size and contiguity. The model will be run over multiple random number generators to estimate the effect of stochasticity on the model results, and parameters with estimated values will be assessed with a sensitivity analysis.
References


