

# Planning restraints

## A plague on wealth and the democratic process

Alan Moran

**E**conomic planning is a term as archaic as phrases such as ‘peoples’ democracy’ or ‘proletarian justice’. Yet *urban* planning—and land planning generally—is flourishing and dominates the evolving structure of cities. Urban planning once meant the design and building of common infrastructure such as roads and sewerage in response to people’s locational preferences and population growth. But it has come to dictate urban geography, shaping a city’s structure and canalising changes in conformance with a centrally planned regulatory corset.

In Australia and many other places, urban planning has ceased to respond to individual needs and preferences but follows a central plan instead. Like socialist economic planning, urban planning claims to respond to the genuine needs and wishes of the community—needs and wishes that would otherwise be impossible to achieve. Prevention of urban sprawl is chief among its most contemporary targets.

Opposition to urban sprawl can be dated back to Elizabeth I, but it is only in recent times that opposition to it has assumed mystical respectability on a par with saving whales, stopping global warming and preventing GM foods. As with these other goals, the people opposing urban sprawl assume a mantle of moral superiority that reeks of self-denial but is invariably heavily laced with pure self-interest.

The first recorded attempts to stop populations spreading out from the im-

mediate confines of an established city occurred as soon as a relatively settled system of law and order facilitated protections outside a city wall. The early opposition to it stemmed from costs that might be avoided in taxes to government bodies.

The romantic era of the late nineteenth century ushered in a different perspective. Unlike previous centuries, where the concerned elites had thought of cities as replete with Satanic Mills, new generations came to venerate the crowded urban landscape. More impor-



tantly, they resented the growth of suburbia and its more recent incarnation, ‘exurbia’, which was said to be eating up rural land. Much of the genesis of this view came from England, and the rural landscapes that were cherished were the villages, especially those in the south-east. From the 1940s, Green Belts surrounded London.

Even so, there was an overlap in the application of two rival notions—promoting population dispersion and preventing it. During the 1950s, responding to critics whose focus was on overcrowding, London was still building garden cities 50 miles away from

the East End from which the teeming multitudes were to be poured. This same era lasted even longer in Australia, with Salisbury and Albury-Wodonga being among the dispersed cities that received favourable tax treatment well into the 1980s. A final British legacy of government population disbursement was the Location of Offices Bureau, which survived until the Thatcher clean-out of otiose and detrimental government agencies.

Other UK cities followed London and inexorably the new ideology came to infect the Antipodean outposts of Australia and New Zealand. Like many such infections, it took on a highly virulent form here, despite the lack of any population pressure—unlike the situation in England and Wales (and even there, urban development covers only 8 per cent of the country), in Australia, urbanization covers less than 0.3 per cent of the land area.

None of these trends had much effect in restraining the size of cities. Those cities that declined did so for other reasons. Some were redefined (with their peripheries taking in most of the growth); others saw a movement from a blighted inner urban area, often resulting from restrictions on redevelopment; some, such as Pittsburgh, were dependent on industries that themselves were in decline.

Above all, the decline in density resulted from technological developments, income growth and consumer preferences. People prefer to live in greater personal space, both internal and external, and detached somewhat from their neighbours. Urban sprawl is not the ‘inevitable unhappy result of laissez-faire capitalism’ but embodies individual preferences. Once technology allowed rapid journeys—first via rail and later by road—the cities expanded.

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Added to this, we have seen a great dispersal of work locations, partly due to the decline of large integrated factories, and partly due to the changed nature of work, especially the growth of service industries which tend to be geographically dispersed.

In *Sprawl*, (University of Chicago Press, 2005) Robert Bruegmann traces the ebbs and flows of geographic dispersions and the policies attached to them. He finds a remarkable similarity across the world (Soviet-era Moscow being a rare exception made possible by total government control). European and Australian cities have tended to invest more than American cities in public transport and have, in many cases, put in place much stricter planning ordinances and subsidized housing to prevent geographic spread. Nonetheless, the density levels are comparable.

He also points out that there is some reversal of trends as people see more merit in inner-city living. In this respect he says,

One of the ironies is that much of what is most attractive ... about cities' 'traditional' character, is that many of the things that once defined them have disappeared. The decanting outward of all kinds of manufactur-

ing and warehousing functions led to a dramatic reduction in street congestion, truck traffic and pollution'.

In the process, factories were converted to lofts and the city centre itself became focused on entertainment and other leisure activities. This has also led to a reversal in cities such as San Francisco (and Melbourne and Adelaide) of the affluent/slum centre/suburb polarity.

Bruegmann also points out that the trend back is not leading to the higher concentrations that were favoured by anti-sprawl activists. Instead ordinances and other measures have been used by planners to stop densities from rising—a phenomenon best observed in Melbourne in the suburb of Camberwell.

In fact, urban change is endemic. The row houses on the periphery of major cities that were the sprawl of the 1930s and 1950s are now highly valued by the avante-garde. Daly City, in San Francisco, about which folk singer Pete Singer despisingly sang in 'Little Boxes' ('all made out of ticky-tacky and all look just the same'), is now respected and preserved. There is little difference in this from even earlier eras—many of the most prized real estate in Australian cities was last century's urban sprawl—

the Prahrans and Balmain.

Anti-sprawl campaigns now dominate urban planning. Fuelling them and mightily facilitating their media profile are the *arrivistes* and others seeking to preserve a suburb or a favoured rural hideaway by keeping out the hoi polloi. Contradictions abound in this series of alliances. Thus, while the incumbents (Bruegmann calls them the 'sensitive minority') want to preserve a suburb, the planners want to re-create the denser populations that they hope will feed the café latte society they favour.

In both cases, this constrains the individual's rights to use the land that he or she ostensibly owns. Intrinsic to planning is collectively determined preferences which usurp those of the landowner. The tool employed—the prevention of land being used in ways that individuals prefer—means that land is used less efficiently, or not at all. This creates an artificial scarcity, which drives up the value of land already in use for the preferred purposes. Existing home-owners see the effects of this reflected in the value of their own homes. Land on the periphery of cities, which might be worth a few thousand dollars per block in its alternative agricultural use is priced at hundreds of thousands of dollars. Developing the land costs

perhaps \$30,000 and the regulatory restraint on use drives up the price of existing houses.

Even where house building leapfrogged and indented the no-go areas, regulatory restraints meant that it did so at a higher land cost. Especially high costs of circumventing the planning restraints prevail in Australia where State-wide planning means that the restraints are particularly pervasive. Such outcomes are the ultimate corollary of scarcity—especially scarcity that is maintained by government frontier guards patrolling the availability of alternative supplies. Inevitably, the higher costs on the periphery are transmitted to adjacent properties and throughout the urban area, thereby creating the house-price escalation that Australia faces today.

Bruegmann's book does not focus on these economic outcomes. That has been left to other parties and has been increasingly well documented—in particular, by *Demographia*, which has assembled house prices across a hundred cities and demonstrated a remarkable relationship between housing costs and restrictive land-planning regimes. Those cities with the lowest prices include those enjoying rapid growth, such as Atlanta and Houston, as well as those declining somewhat, such as Pittsburgh. They all have in common a relatively unrestrictive planning framework. In Europe, too, these same causes and effects are found—British house prices are over twice those found in Germany where there are constitutional rights that restrain the planning regulations.

The recent analysis of planning laws has been on their effects in bringing about higher house prices. In addition, they shape the structure of service industries. Planning approval is a key factor in the profitability of new shopping and cinema complexes. This indicates that a shortage is created by the planners. And a shortage means excessive prices for the goods and services the facilities provide, as well as high profits for their owners. This presents

irresistible opportunities for forms of corruption.

Sydney Mayor Clover Moore has joined existing shopping facility owners and State Government Ministers in venting her rage about the activities of Max Moore Wilton, CEO of the Macquarie Bank-owned Sydney Airport Corporation Ltd (SACL). SACL is providing facilities on Commonwealth land that it controls for new shopping malls and cinema complexes.

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For existing shop owners, the issue is that they have paid scarcity values and more for land on the basis that the planners will shield them from new competition. Existing shops and cinemas are able to extract higher prices from patrons than they would if there were more competition. Indeed, incredibly in the era of national competition policy, a new shopping centre has to demonstrate that it would not harm an existing facility! Of course, harming an existing facility means providing a more convenient or cheaper service to the consumer.

The fury of State politicians regarding the SACL proposals is all too understandable once the links between property development, politicians and regulation are properly understood. Planning approvals form the bedrock of a system of patronage that has long been the bankroller of NSW politics. Sydney Airport circumvents this monopoly and threatens to undermine it seriously.

The planning approval system's value as a political war-chest is easy to exemplify. In Melbourne, Councillor Mohamed Abbouche from the City of Hume, through what he calls an 'honest oversight', failed to report a campaign donation from a developer who he supported in a successful application. The Victorian Premier sees the 'oversight' differently and has banned

him from the ALP caucus.

Gold Coast Deputy-Mayor David Power seems to be in even deeper trouble. A public inquiry has found that the Deputy-Mayor solicited (and, with other parties, controlled) developer-backed finance to bankroll the election of a group of candidates posing as independents.

Doubtless, housing land builders tap the same lines of corruption to promote their interests. What needs to

be understood is that any such wealth transfers to politicians, as well as poisoning the democratic process, result from increased prices to the consumer. They therefore constitute a double jeopardy both in undermining political integrity and in sapping consumers' wealth.

All this stems from controls, often reflecting a surfeit of a form of democracy in the sense of allowing collective preferences to take a stake in individual property rights. It is reasonable for an individual urban dweller to have some say about the major changes being proposed by the next door neighbour. However, the rights to control this have become far too extensive, both to collectives of individuals and especially to the state planners. Winding back the intrusiveness of planning laws and providing legal protection to the individual in the use of his or her property is not only more consistent with individual freedom, but will also result in more affordable housing and lower cost shopping facilities.

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