

Property, Prosperity and Poverty: Trends and Choices in Land Use Policy¹

Wendell Cox²

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Telephone: +1.618.632.8507 - Facsimile: +1.775.521.8564

Introduction

It is a pleasure to have this opportunity to speak to you this evening. I come to you as a great admirer of Margaret Thatcher. Her accomplishments in modernizing the British state and economy are unprecedented. I only regret that our Ronald Reagan was unable to be as successful, hampered as he was by our separation of government powers. I, for one, believe that your parliamentary system lends itself much better to the structural reforms that are necessary to roll back the frontiers and restrictions of socialism. Nonetheless, we have not done badly in the United States.

Urban Sprawl and Smart Growth

I will begin by discussing the relationship between property rights, prosperity and poverty. The context is land use planning and how crucial elements of wealth creation have or are being taken away by bureaucratic fiat. In the US this is most evident in urban areas, where so-called "smart growth" policies are being implemented in an attempt to control urban sprawl. I use the term "urban sprawl" in its non-pejorative sense, though advocates of smart growth would have us believe that the very phenomenon is evil incarnate. This is not to say that I favour urban sprawl. Rather I favour freedom, and no compelling justification has been demonstrated which justifies the abridgement of freedom necessary to outlaw urban sprawl. Nonetheless, you in the UK have long ago sought to outlaw urban sprawl.

Here you refer to the topic under various names, such as "town planning" and the "new urbanism". Indeed, it is London itself that is the birthplace of "smart growth," with its Green Belt, which forms the type of urban growth boundary so favoured by US planners. The smart growth movement finds suburban development objectionable, despite its popularity among the people. Instead, advocates of smart growth want higher density cities and often refer to European cities as models to be copied. They also demonstrate a doctrinal aversion to the automobile, believing that if we can just make cities more compact, automobile demand will decline and public transport will become dominant.

US urban planners make many trips to Europe and view scenes like the Place de Republic in Paris, rarely venturing outside the attractive, tourist oriented historical cores. Chief among them are advocates of the Portland, Oregon urban planning model, to which I and other critics have successfully appended the label "Nirvana." Portland has had imposed an urban growth boundary, has sought significant public-transport improvements, has neglected motorway improvements and has undertaken strategies to increase urban densities. So fervent are these modern day missionaries that I have encountered them on at least three continents. But theirs is a false gospel. Portland, as I will show, has accomplished little beyond what we call "spin" --- their success lies in the skill of their public relations and the naivety of American urban planners all too eager to believe in what is not.

Urban Sprawl: World's Oldest Land Use Trend

In fact urban sprawl is the world's oldest land use trend. As soon as people could figure out how to live away from where they worked, they did. The modern explosion in urban-sprawl was spawned not by the automobile, but rather by the railway. Of course, all of this was accelerated by the automobile, which gave people the freedom to move throughout

the urban area with relative ease. Urban sprawl is greatest in the United States, which has urban densities of less than 3,000 per square mile. This compares to 13,000 in Western Europe and 40,000 in affluent Asian urban areas (such as Tokyo, Hong Kong and Singapore). It surprises some people to find out that America's least sprawling urban area --- the one with the highest population density --- is Los Angeles, which is more dense also than any urban area in Canada. Portland, by comparison, is less than one-half as dense as Los Angeles.

But it would be a mistake to presume that urban sprawl is an American phenomenon alone. From the 1960s to the 1990s, urban population densities fell at a greater rate in Canada, Western Europe, Asia and Australia than in the United States. In fact, virtually all urban population growth in Europe has been in suburban areas. Take the example of Amsterdam, which expanded its urban land area 65 percent, while its population dropped. In the case of every central city of more than 400,000 in 1960 that has not expanded its municipal boundaries, the population has dropped, with all growth being in suburban areas. The ville de Paris, for example, lost more than 600,000 people from 1962 to 1999, while its suburbs added nearly three million --- nearly as many as lived in Paris at its peak. But despite the great amount of time that American planners spend in Western Europe, they have rarely ventured beyond the equivalent of the Paris cafe across the street from the Louvre. In fact, if you venture outside the Boulevard Peripherique which encircles Paris, you find an urban landscape similar in many ways to that of an American suburb.

Approximately 80 percent of Parisians live outside Paris, and about the same percentage work outside Paris. So the Paris of American planners is by no means all of Paris. The same is true throughout Western Europe. The suburbs of Copenhagen are not that different than those of America. The high-tech Arlanda Corridor in Stockholm is at least as sprawling and public transport unfriendly as similar corridors in Austin or Seattle. Europeans as misled as American planners might well judge from a visit to Disney World in Florida that they had seen what America looks like. And what of Nirvana? New Urbanist architect Andres Duany complained in a Portland Oregonian article that only after four visits to Portland's cutesy core, which planners like to credit to smart growth, was he able to break free to see what lies beyond. What he found was sprawl indistinguishable from that of other US urban areas. In fact, Portland's cutesy core was built between 1900 and 1940 and has nothing whatever to do with smart growth. Similar cores can be found in a number of US cities, such as Seattle (even better preserved), Pittsburgh, Cincinnati, San Francisco, Chicago, New York and others.

Green Belt

As I said before, the whole nonsense about urban growth boundaries started with London's Green Belt. Of course the purpose was different --- planners knew that by drawing a line around London, development would leap frog out further, which of course it did. Since 1931, the last census before establishment of the Green Belt, London as we know it today (GLC) has lost more than 1,000,000 residents. At the same time, the counties and subsequent unitary authorities adjacent to the outside of the Green Belt have gained nearly three million. Whether or not one likes the Green Belt, no one can seriously argue that automobile use is less than it would have been without it, nor that it has strengthened the core. But, in the final analysis, as people become more affluent they want more space and they want the freedom of mobility and access that the automobile affords. As Greg Easterbrook of the centre-left US magazine, *The New Republic* put it,

"sprawl is cause by affluence and population growth, and which of these, exactly, do we propose to prohibit?"

The False Farmland Crisis

Advocates of smart growth often suggest that urbanism is a threat to agriculture --- at least when there is no-one nearby who knows better. The agricultural threat argument is perhaps the most disingenuous. Despite urban sprawl, urban areas consume only 2.6 percent of US land area, 400 years after the first European settlement. In the last 50 years, agricultural production has become more productive, which has made it possible to take out of production much more land than has been taken for new urbanization. In the United States, land equal to the size of Texas and Oklahoma --- more than three times the area of the United Kingdom --- has been returned to "open space." But of course, here you have a much greater crisis. Now, nearly 1,000 years after Hastings, some 11 percent of your land has been taken by urbanization. This is hardly a clear and present danger.

Finally, how can it be that, in the fact of this agricultural crisis, prices are so low that our respective governments spend billions of pounds on agricultural subsidies?

Smart Growth: Denying Housing Opportunity

The most destructive impact of smart growth is its opportunity destroying impact on home ownership. We all know that rationing scarce goods raises their prices. It is no different with land and housing. Portland's land rationing through its urban growth boundary managed to produce the greatest reduction in 1990s housing affordability in the US (percentage of homes affordable to the median income family), at the same time that affordability was generally improving in the rest of the nation. Of course, Portland's planning theologians have an answer, having commissioned reports by a consulting profession all too prepared to describe the conditions under which the sun rises in the West. They claim that Portland's housing affordability loss is the natural consequence of the market --- Portland is growing fast and it is such a desirable place to live that prices have been driven strongly upward.

One would, of course, expect a similar dynamic in other urban areas that grew as fast or faster. But the opposite is true. In every major metropolitan area that grew faster than Portland during the 1990s, housing affordability increased. Examples include Phoenix, Atlanta, Dallas-Fort Worth, Las Vegas and Raleigh-Durham. Phoenix provides a case in point. Not only did Phoenix grow faster than Portland, but it also densified at a greater rate. But the densification of Phoenix resulted from market conditions, not from the dead hand of the planners. Yet housing affordability increased in Phoenix. A couple of years ago, an anti-sprawl Washington lobbying group published a report that classified US urban areas by degree of urban sprawl. Their purpose had been to show that transport costs are higher in more sprawling areas, which is not, in itself surprising. But they overlooked housing.

Housing costs are so much lower where sprawl is greater that it more than makes up for the higher transport costs. Food skews the data even more in favour of sprawling areas. And, the same data set shows that home ownership is higher where sprawl is greater, an issue on which, not surprisingly, the anti-sprawl report was silent. As you know, we in the United States have been trying to bring our African-American (Black) minority into the

economic main stream. An important component of this campaign is to increase home ownership, which not only makes communities more stable but also creates wealth. We have been more and more successful at this, as Black and Hispanic home-ownership rates have been rising at well above those of non-Hispanic whites. The anti-sprawl lobby would like us to believe that sprawl injures minorities. It was that belief that led Professor Matthem Kahn of Tufts University to look at the data, which to his surprise showed that Black home ownership rates are higher where sprawl is greater.

Another smart growth strategy, development impact fees, is also raising the price of housing and reducing home ownership. These fees are imposed by local governments purportedly for the purpose of paying for incremental infrastructure improvements to support new development --- such as for water systems, sewer systems and schools. Strangely, the elements of infrastructure provided by the private sector do not seem to need impact fees --- for example, telephones and natural gas. But, of course, the result of impact fees is higher housing prices. This has been the principal cause of the housing affordability crisis in California, especially the San Francisco Bay Area, where middle-income families often have to live 75 miles outside the urban core to afford home ownership.

In both our countries, smart growth and town planning are raising housing prices and reducing home ownership. Prices are raised by rationing land, by limiting development, and by more limited competition between builders and developers in the more regulated regime. Then there is the matter of political corruption and its costs --- something of which we are all too aware in the United States. When governments control where development is to occur, interested property owners have an incentive to influence the political process, even in inappropriate ways, to have their land included for development (and wealth creation). The UK government's requirement that 60 percent of development be on brownfield sites is also raising prices. Finally, unnecessary "amenities" and regulations imposed on new housing raises prices. In some American suburbs, for example, new housing must have brick facing, which of course has nothing to do with structural integrity or any other legitimate government building concern. Urban planning costs a lot. A recent report by University of Pennsylvania researchers indicates that virtually all of the housing price difference between urban areas can be traced to planning and zoning. Where regulations are stronger, prices are higher.

We see the same thing in the United Kingdom. Professor Jules Lubbock of Essex University has estimated that town planning adds £40,000 to the price of a house in Essex. And, research has indicated that town planning is a major contributor to the higher prices that are paid for groceries in the United Kingdom compared to Western Europe.

The Limits of Public Transport

Public transport is, in both our countries, often seen as an important strategy for reducing traffic congestion and for making denser urban centres work more effectively. It is not. But let me digress a bit. You have made great progress in getting the escalating cost of public transport under control. Under Mrs. Thatcher, London Transport began competitively tendering its bus service, a process that was complete by 2000. Today, the cost per mile of Transport for London bus services is at least 45 percent below what it was in 1985, and use is considerably higher. Similar cost improvements were made outside London through the bus deregulation process.

Nonetheless, the potential for public transport to make things better is very limited. That is not to say that there is not a place for public transport. Today, more than 50 percent of travel in the Tokyo-Yokohama urban area is on public transport. In the London area, which includes not only Greater London but also the South East England catchment area from which people commute to the London core, the number is approximately 19 percent. In New York, only nine percent of travel is on public transport, which is well above the less than two percent US urban average. In fact, without New York, barely one percent of US urban travel is on public transport.

Moreover, public transport's market share is dropping virtually everywhere. It has fallen nearly 20 percent in Tokyo, by a third in Paris and more than 50 percent in New York. I do not have good historical data for the London area, but the limited data available makes it clear that public transport's market share has dropped in London as well. Currently, new urban rail projects are very popular, especially in the United States, where Congress has provided billions of dollars for building them. They could not be more out of place. The low population densities combined with the dispersed trip patterns have created a situation in which it would have been less expensive to have leased each new daily rider a new car, ad infinitum. In some cases a luxury car would have been less expensive as an alternative. But public transport's principal problem is that its distinctive competence is service within and to dense urban cores. Dense urban cores are generally either a thing of the past, or are declining in their importance. For example, from 1961 to 1991, employment in central London fell from 1.40 million to 1.14 million, during which time overall employment in the London area was increasing. The same is true in Paris, London, New York and virtually everywhere else. The dense urban cores are losing both employment and population share. And public transport simply does not provide automobile competitive service outside trips to or within the dense urban core. Most travel within outer London (inside the Green Belt but outside the old London County Council area) is by automobile, because there is little automobile competitive service.

Further, there is little auto-competitive public transport service between suburban locations outside the Green Belt. This is not unusual. The 80 percent of people who live outside the ville de Paris are poorly connected by public transport to the 80 percent of jobs that are outside the ville de Paris. Whether in the suburbs of London, Paris, Los Angeles or Portland, you cannot get from where you are to where you want to go on automobile competitive public transport, because it simply does not exist. So it is time to forget the romantic notion that public transport can reduce traffic congestion in the sprawling suburbs that contain most of the urban population in Western Europe and America. The exceptions, of course, are the Japanese urban areas, where dense suburban rail networks operate throughout the area, through the core on underground lines and are supported by thousands of connecting buses. These systems (Tokyo-Yokohama, Osaka-Kobe-Kyoto and Nagoya) provide automobile competitive service throughout much of the urban area. But lest anyone think these systems can be replicated, it is well to recall that they were built with the city, not after the city had developed. And, recall as well, that public transport's market share is falling in these urban areas, like virtually everywhere else. The reality is that the central business districts that are so crucial to the success of public transport represent a small and declining portion of urban employment. In London and Paris, the share is approximately 20 percent and falling. It is less than 15 percent and falling in Tokyo, and in most US urban areas it is 10 percent or less.

Roadways

The smart growth advocates would have us believe that a more compact and dense urban area would have less traffic congestion. Nothing could be further from the truth. The international data shows a strong association between greater traffic intensities and higher population densities. The US, with its low population densities, has the fastest urban traffic. There are less than one-half as many hours of vehicle travel per square mile in the United States than in Western Europe. US Department of Transportation research indicates that the intensity of traffic (in vehicle miles) increases at 0.8 percent per each 1.0 percent increase in population density. And, faster traffic that stops less means less air pollution.

The relationship between density and traffic is also illustrated by the case of London. Average work trip travel times to central London were 55 minutes in 1996. The balance of inner London had an average of 41 minutes, while less dense outer London averaged 29 minutes. In the suburban areas ringing the Green Belt, average work trip travel times were only 22 minutes.

And, now back to Nirvana. Portland has seen its traffic congestion increase substantially over the past decade. In fact, Portland's plans provide the best evidence of their own bankruptcy. Through 2040, Portland plans to emphasise public transport, discourage automobile use, and make the city denser --- though still not as dense as sprawling Los Angeles. Yet automobiles will provide the bulk of the new transport demand according to the projections of the very same public agency in charge of land use planning (Metro). It hardly seems worth the effort.

Democratisation of Prosperity: From American Dream to Universal Dream

In the US we speak of the "American Dream" of home ownership. Public policy has encouraged home ownership for at least 70 years and we have made substantial progress. Home ownership is at the very root of wealth creation. I was pleased to see a stack of the Peruvian economist Hernando De Soto's book *The Mystery of Capital* in the stockroom downstairs. De Soto sets about to find out why it is that so many nations that have nominally adopted capitalism over the past 15 years have not achieved wider prosperity. The fundamental reason is the weakness of property rights protection, and especially with respect to growing urban areas, the inability of people to obtain title to their homes. We should thus be most careful about any public policy that would reduce home ownership in the longer run. The data is clear that home ownership is being reduced in the United States by smart growth. There can be no question but that planning policies that artificially drive up the price of housing are reducing home ownership in the UK.

In the United States, more than 40 percent of family wealth is in home equity. The percentage tends to be even higher among lower middle-income families. I don't mean to sound like the typical haughty American, but, among nations larger than Liverpool (Luxembourg), the United States continues to have the highest gross domestic product per capita (purchasing power parity) in the world. Recently the Swedish Research Institute of Trade caused a stir with a report to the effect that the average American Black household has higher income than that of the average Swedish household. This is not to say that we have "arrived" in the United States, but it is worth asking why such strong economic performance has persisted. Many analysts point to our more liberal employment

policies. You in the UK know better than most how destructive a system can be that relies on the good will of trade unions that have been permitted excessive power. But I believe that there is another factor. Land use and development have been much more free in the United States, which has also contributed to a more affluent society for all.

We see evidence around the world that what was called the American Dream is in fact the American Dream. Swedes are quickly forsaking their Stalinist housing estates for single family housing, while single-family housing projects are to be found along Tokyo's orbital route.

Conclusion

Neither the smart growth nor new urbanism advocates have identified any problem that requires their strategies. Indeed, the strategies of smart growth lead to lower quality of life and less economically inclusive societies. A few years ago a number of us met in the mountains of Montana and drafted the Lone Mountain Compact, which outlined free market principles of land use. At the core was the statement: "...absent a material threat to other individuals or the community, people should be allowed to live and work where and how they like." It is as simple as that.