

SMARTER GROWTH: MARKET-BASED STRATEGIES FOR
LAND-USE PLANNING IN THE 21ST CENTURY. EDITED
BY RANDALL G. HOLCOMBE AND SAMUEL R. STALEY.
WESTPORT, CONN.: GREENWOOD PUBLISHING, 2001.

Readers of this journal probably are aware that the push for “smart-growth” development policies typically is accompanied by half-baked assertions, arguments from intimidation, and—shall we say—strategic creativity in interpreting events. Which makes it a standard modern cry for bigger government. The contributors to Holcombe and Staley’s volume of essays—all of whom are authorities on the topics of their contributions—would like to rain on this parade by doing something its marchers rarely do: stating facts, repeatedly, and with extensive citations. While the advocates of anti-sprawl policies are unlikely to heed their efforts, those interested in presenting to the world a more helpful (and hopeful) vision of land development will find their compendium a valuable source of *anti-anti-sprawl* factual slam-dunks.

You want facts? Here are a few, dipping randomly into the volume’s ample riches.

- *Is there a sprawl crisis?* Only about 5.4 percent of U.S. total surface area is developed (p. 15), and the data suggesting a recent rapid pickup in the rate of development are flawed, sharply biasing growth estimates upward (pp. 19-22). Sprawl in most U.S. cities is sharply decelerating, and in some is actually decreasing, due primarily to market forces (pp. 166-70).
- *Is sprawl gobbling up precious cropland?* The bulk of the cropland decline is explained by soaring productivity in the agricultural sector (pp. 17-18), not by development.
- *Is conventional wisdom about population densities correct?* Are trends unique to America? “Smart-growth” advocates promote policies that seek higher urban population densities. But the two cities condemned most by the movement—Los Angeles and Miami—actually were America’s two highest-density urban centers in 1990 (pp. 32, 160). Meanwhile, the “smart-growth” movement’s inspiration—New York City—continues a long-term decline in measured densities as its suburbs expand (p. 32). Internationally, suburbanization and auto use in Europe and Japan are similar to U.S. patterns, despite policies there that aggressively favor compact development (pp. 32, 161-66). Far from being distinctly American, auto-love and suburbanization are worldwide concomitants of prosperity.

- *Has traffic congestion worsened?* Do new roads help? Most U.S. suburbanites do not have long commutes, partly since suburb-to-suburb commutes are replacing suburb-to-central-city commutes as job dispersion increases (pp. 39, 43-44). Nationwide, trip-time changes have been minor since 1980, and average U.S. highway speeds are rising, not falling (p. 43). Aggressive highway construction clearly eases congestion (studies finding to the contrary have ignored—among other things—how new freeway construction eases congestion on secondary roads) (p. 226). And traffic is much worse in Europe and Japan, due in part to the widespread adoption there of the policies advocated by the “smart-growth” movement (pp. 29-30).
- *Is mass transit the solution to congestion?* Less than 2 percent of all person-trips are via mass transit (p. 47). Even a heroic doubling of mass transit’s market share still would account for less than 10 percent of commuters (p. 5). Calculated correctly, mass transit costs-per-rider in many cities are not even competitive with limousines (p. 49). Mass transit is spurned by most of those poor who “smart-growth” advocates claim to be helping (p. 53).

And there is much more along these lines. *Smarter Growth* is thus a valuable reference volume which lays out many of the facts—with citations—that give the lie to the “smart-growth” movement’s claim to a credible basis for its policies. But the book is more—far more. Meticulously interwoven through the volume are three basic themes. First (as described above) is a careful dissection of the basic facts which “smart-growth” advocates claim justify their movement. Second is theoretical critique: What basic economic and social premises are shared by this movement, and how plausible are these premises? Complementing these first two essentially critical themes is a third constructive one: What are the market-based alternatives to “smart-growth” policies, and how strong is the case for such alternatives?

Austrian readers will appreciate the consistency with which the various authors use the central insights of Mises and Hayek as a basis for arguments. Holcombe and Staley (Chaps. 1 and 14), Holcombe (Chap. 8), Staley (Chaps. 2 and 11), and Meiners and Morriss (Chap. 10), among others, give careful attention to the daunting information problem that land-use regulators face when seeking to craft policies of benefit to society. “Smart-growth” advocates prefer to assume that the planner’s problem is simple and easily solved. The four authors mentioned above convincingly demonstrate the contrary. It is interesting to discover that most urban planners refuse to think of what they do as central planning—a contention that Holcombe makes short work of by pointing out the closeness of Florida’s statewide planning to the old Soviet model.

The insights of Mises and Hayek regarding central planning inspire a number of market-based proposals which address the “smart-growth” agenda. Staley (Chap. 2) and Holcombe (Chap. 8) emphasize how the public sector, just by determining and announcing far in advance where new roads will go, would convey information to the private sector that would promote an efficient pattern of land usage through a market-based discovery process. Mildner (Chap. 7) explains how the inefficiency of one big regional government versus many small local governments is based in part on the Tiebout insight that people voting with their feet can use their own private, dispersed information to make informed choices. Meiners and Morriss (Chap. 10) emphasize how “smart-growth” recommendations such as greenbelts and setbacks cannot be

valued by polls or other alleged information sources that do not confront the polled with questions about how many goods they are willing to give up in exchange for these environmental assets. Only a market-based discovery process can properly value such assets. These same authors argue for the superiority of the common law over administrative (environmental) law, due to the former's status as law which works within a framework that protects private property rights. Thus, such law promotes market-based institutions which make more efficient use of information than centrally planned environmental law. Staley (Chap. 11) also emphasizes such information-based arguments, in which "the market works as an iterative process, revealing new information with each transaction" (p. 215). Similar arguments are common throughout the book. It is pleasing indeed to see the "smart-growthers" meet Mises and Hayek at last on the open field of battle and be routed.

That other bane of planning enthusiasts everywhere—the public-choice perspective with its powerful rent-seeking insight—also is well represented in the volume. "Smart-growth" advocates consistently manage not to see that many of their policies provide a happy playground for fast-moving self-serving special interests. The authors of *Smarter Growth* emphasize just such tendencies—and thereby tear away the wizard's curtain hiding the true nature of many anti-sprawler "policy proposals." Some examples: Edgens in Chapter 6 discusses the EPA's emphasis on "nonpoint source water pollution" (water pollution stemming from too many sources to pin down). Edgens shows that the EPA's "concern" is at least as much a strategy for winning very broad, new regulatory power over land development as it is an attempt to attack environmental problems. Mildner in Chapter 7 points out that Portland's "urban growth boundary" is quite interpretable as a strategy by which homeowners inside the boundary "work with" local authorities to assure continued appreciation in their property values by halting development just outside the boundary. Various planners' initiatives that claim to combat sprawl by revitalizing the central city in fact have as their primary effect (and purpose?) the enhancement of careers of urban politicians (Chap. 13). The relentless hammering-home of the rent-seeking insight adds up to a devastating critique of the urban planner's mindset, in numerous specific contexts.

As their volume's title suggests, the authors also put forth alternative market-based policy proposals to address the legitimate concerns of the "smart-growth" movement. The Left, spurred on by deeply-rooted Marxist premises, see market forces as devices through which the rich and powerful *bourgeoisie* exploit and afflict the helpless *proletariat*. Not surprisingly, they admit little social value to markets, and ceaselessly advocate government-sponsored substitutes. The authors of *Smarter Growth*, by contrast, recognize the central insight of economic theory—that market forces represent the distilled decisions of millions of decentralized decision makers. These forces, therefore, reflect a dispersed knowledge of preferences that cannot be uncovered through any other social device. Effective public policy must retain access to this vital information by keeping a market-based structure to policy. This general perspective leads to a number of interesting policy proposals (several are discussed below).

The book's origins are of interest. The editors organized a conference bringing distinguished proponents of market-based development together with advocates and practitioners of "smart-growth" policies. The market-based scholars gave the papers, the "smart-growth" advocates commented, and this commentary was considered when revising the papers that became *Smarter Growth*. The criticisms are not included in the volume—doubtless due to space constraints—and it would be nice to have access to them (perhaps via the internet?). Still, there is validity in the editors' claim that

advocates of “smart growth,” whose perspective dominates both mainstream media and academia, need not also present their positions in this book.

The editors’ initiative has brought together 14 chapters—and 265 densely-printed pages—devoted to presenting the market-based alternative perspective to the “smart-growth” position. Chapter 1 is a competent introduction by the editors presenting the volume’s main themes. Chapter 2, by Samuel Staley, is a useful overview of U.S. development and land-use trends. Staley presents compelling arguments that there is no “development crisis.” The loss of farmland to sprawl is small compared to other causes, such as conversion to pasture. New development’s impact outside urban zones is muted by undeveloped land within metropolitan areas. Lot sizes in new suburban developments are not getting larger (though houses are getting larger by getting taller). Staley’s chapter also has a trait that appears often in the volume: Summaries of pertinent data are presented, described, and woven nicely into the narrative.

Chapter 3, by Peter Gordon and Harry Richardson, looks at the relationship between sprawl and the automobile. Is the auto the cause of sprawl? (No, suburbanization began well before the auto era.) Is there impending gridlock on America’s roads? (No, the flexibility of land markets is keeping commuting times roughly stable.) Are conditions worse in the auto-loving U.S.? (On the contrary, conditions here are far better than those in European and Japanese cities that seek to reign in sprawl.) Is auto-induced sprawl causing “spatial mismatch” between the poor’s residences and their jobs? (The empirical evidence for such a view is unconvincing, and moreover, much anti-sprawl policy discriminates directly against the poor, by making used cars more expensive and by promoting types of mass transit that favor the well-off, not the poor.) Gordon and Richardson effectively defend suburbanization as efficient and welfare-enhancing, against the “smart-growth” position that it is a market failure.

Chapter 4, by Robert Poole, is the first of several chapters emphasizing market-based policy. Poole puts forth the case for road pricing and market-supplied roads as a solution to traffic congestion. The ability of fast scanners to read stickers and even license plates marks the end of the argument that limited-access highways suffer from a free-rider problem. They are now more like a public utility, and they should be so treated (an argument echoed by Wendell Cox in Chapter 12). Poole provides a useful summary of the evidence favoring this position—including discussion of working private roads in existence around the world—and discusses the political issues impeding its widespread adoption as well as possible solutions to these impediments. He also describes pricing schemes that would improve the existing public-supply system (peak-load pricing, and pay-as-you-go commuter lanes in freeways accessible to all payers, as opposed to the current system of free lanes that permit only cars containing at least two people).

Chapter 5, by Kenneth Green, addresses the environmental consequences of sprawl on air, water, and soil. Sprawl’s environmental menace seems quite exaggerated. Evidence that air quality is adversely affected by population density is ambiguous at best, as Green shows by comparing the standard EPA data interpretation with an alternative interpretation that focuses on those metropolitan areas which offer the highest-quality data. The link between density and soil contamination is also problematic, due to the absence of data that speak unambiguously to this question. Finally, there is evidence of a connection between water quality and density. However, this is due not to the effects of density in general, but instead to the fact that more densely populated areas have more “impervious surfacing” (e.g., asphalt parking lots). This last suggests a problem not with density *per se*, but rather with one

specific issue that should be manageable without the massive assault on development pushed by “smart-growth” advocates.

Jefferson Edgen’s Chapter 6, on the EPA’s attempt to establish itself as a *de facto* national land-use planning agency, will send a chill down the spine of every lover of freedom. If the EPA openly asserted its intent to actively control the use of most land in the developed areas of the U.S., it would encounter ferocious political opposition—particularly from local governments, which have had authority over local development standards. But when the EPA moves to accomplish the same thing by claiming a need to aggressively regulate “nonpoint source water pollution” (pollution coming from many small sources), there is little opposition, nor even awareness by the general public that such regulation amounts to substantially the same thing. From the EPA’s perspective, the charm of “nonpoint source water pollution” is that its threat can be painted as injuring broad areas in many local jurisdictions. Thus, the case for federal (i.e., EPA) oversight is more easily made. Edgens gives the reader the book on the EPA, explaining the mechanisms through which it expands its authority to the limits—and well beyond the limits—of reasonable legal interpretation. If you are a land developer, you can hardly draw a breath these days without first considering the views of the EPA. Edgens’s contribution helps explain how this state of affairs came to be. It is a sobering tale.

Chapter 7, by Gerard Mildner, discusses a current fad known as regional government—a fad built on the premise that land-use regulation will work fine if the area under the authority of a sole regulator becomes big enough. Such a perspective provides yet more grist for the Mises-Hayek critique-of-central-planning mill. It is also the first of several chapters that engage “smart-growth” advocates on (so to speak) their home turf—Portland, Oregon. Mildner lays out the mechanics of the Portland land-regulation system as well as the disturbing side effects of the experiment there with urban growth boundaries. These include: sharply escalating land and housing prices, a shortage of lower-income housing, dramatic declines in individual freedom to manage one’s own land, a lack of demand for the very small residential lots mandated by the planners (thus contributing to tight land markets by effectively taking this land off the market), the encouragement of “leapfrog development” as people settle in more distant communities outside the greenbelt, and other effects. In addition, there are shorter treatments of policies in Minneapolis-St. Paul and in the six states that have comprehensive growth-management policies in place. This fact-packed chapter lays out some of the ugly underside of the “smart-growth” movement (e.g., the *de facto* discrimination against the poor in housing markets via policy-inflated prices; the fact that land just inside Portland’s urban growth boundary sells for six times what land just outside the boundary sells for).

Randall Holcombe’s Chapter 8 is on growth management in Florida. In the Sunshine State, sentiments that began with an urge to “save the Everglades” and slow down the pace of development have morphed into comprehensive statewide planning, with broad-based veto powers over local development plans. Holcombe describes Florida’s system, taking the reader through “concurrency,” the 120-percent rule, and other bureaucratic page-turners. He points out how problems defining sprawl have given regulators very broad discretion in approving or rejecting local government growth plans, a condition that makes it hard for local governments to know how to prepare these plans in the first place. This chapter complements Edgens’s on the EPA, showing again how full-scale central planning can evolve out of initially limited growth-management policies. Holcombe’s contribution also provides constructive

market-based alternatives to the “smart-growth” policy mix. As is true elsewhere, Florida’s recent “contribution” to road planning has mainly been to reduce funding for road construction. Since consumers like their cars, more roads—not white elephant mass-transit systems—should be built. And when roads are built, they should be planned well in advance and the planning should be announced, so that private-sector construction can take these plans into account. Therefore, private-sector projects built in the road’s orbit will be more efficient, leading to far fewer congestion problems. Further, when new roads are planned, space for eventual widening should be secured at the outset, not piecemeal as growth occurs. In general, planning of public resources should be over long periods and the plans should be widely known, so that the private sector can take these parameters into account.

Chapter 9 looks at urban density and sprawl from a historical perspective. Robert Bruegmann notes that the one factor that is part of everyone’s definition of sprawl is lower urban densities (anti-sprawl activists seek relentlessly to raise these densities). Conventional wisdom holds that lower urban densities are a recent, predominantly American, phenomenon, implying the density “problem” can be fixed by changes in the U.S. policy mix. Bruegmann systematically demolishes this starting point for the anti-sprawl movement. Forces leading to lower densities are deep-rooted and universal, reflecting strong preferences of citizens worldwide. It has been going on since the nineteenth century (well before the automobile, the favorite culprit in “smart-growth” dogma). Development patterns in, say, Chicago and Paris are far more similar than conventional wisdom admits, as a detailed comparison in the chapter reveals. Bruegmann points out the irony that early twentieth-century urban scholars spent much effort trying to figure out how to *lower* urban densities and promote suburbanization, whereas today, chic opinion seeks precisely the opposite result. It is not the first time that one generation’s urban nostrum has become the next’s policy disaster (a point developed further by Steven Hayward in Chapter 13). Bruegmann also addresses the notion that land use per-capita is increasing in the U.S. There is little evidence to support this article of faith among anti-sprawl advocates. If anything can be gleamed from the data, it is that the rate of suburbanization in cities such as Chicago is slowing down.

No consideration of private property in America would be complete without first checking in with the good folks in Bozeman, Montana. Roger Meiners and Andrew Morriss of the Political Economy Research Center deliver a tenth chapter that lays bare the theoretical flaws at the core of the “smart-growth” movement and defines the legal theory of a market-based alternative. The “smart-growth” agenda is little more than central planning “with a green tint”: Why should central planning be successful addressing a matter as complex as land-use planning when it already has failed dismally in a relatively simple task such as supplying bread to the Soviet population? Meiners and Morriss identify the “smart-growth” movement with broader legal trends under which centuries-old legal traditions based on common-law property rights have been replaced with coercion-based statutory and administrative law. There are costs to freedom when a society replaces institutions enhancing the voluntary resolution of differences with regulatory and administrative *diktat*. This is chillingly brought home by stories of those who have challenged the regulatory state, only to find themselves broken on a wheel of endless red tape and bureaucratic zeal. However, the greatest value of Meiners and Morriss’s chapter is that it lays out the outlines of what market-based policy concerning land-use issues would look like. Using the well-trodden metaphor of property (common) law as “a bundle of sticks,” the authors explain how

such a strategy for solving problems of property law works. By recognizing that the various “sticks” can be separated and sold or leased separately as real covenants, easements, and other legal devices, a plausible alternative to regulatory intervention is put forward. Meiners and Morriss hold to a vision of a free-market world where much or most land value would be partitioned among several owners, much as mineral rights for land rich in natural resources often are owned separately from the remaining rights (e.g., the right to build a house). They close with illustrative examples taken from the free-market environmentalism literature. Meiners and Morriss’s vision would seem to hold substantial promise, not just as a basis for a market-based policy alternative to that of the “smart-growth” movement, but as a starting point for a free-market approach to urban economics in general.

Chapter 11, a second contribution by Samuel Staley, is a thorough examination of the basic premises at the foundation of the “smart-growth” movement. Under a “smart-growth” policy regime, how are planners to know what to do? Through citizen participation in the process? Which citizens? What about those who don’t participate, or who are not yet on the scene? What happens when opinions change faster than the election cycle? Government bureaucracy works best when goals are clear—what are the goals of the “smart-growth” movement? Far from being clear, goals are remarkably diverse and sometimes contradictory, and change often. Is needed technical information available to government officials making the decisions? Hardly: needed information is dispersed among many individuals with unrevealed preferences. Staley points out that the types of problems posed by land-use planning are precisely those where—if societal well-being is the objective—market-based solutions utterly dominate command-based solutions. For these types of problems, goals are diffuse (they differ sharply among individuals), there are many different competing objectives, there is significant uncertainty about people’s values and preferences, and information and knowledge about the problems and their possible solutions is highly dispersed. Staley interprets the “smart-growth” policies of several states and regions—but with emphasis on Portland, Oregon—from the standpoint of his theoretical critiques. This engaging chapter lays out in an especially clear manner how utopian “smart-growth” assumptions about human nature and society are.

One of the favorite claims of the anti-sprawlers is that suburban infrastructure costs too much and is subsidized by urban residents, so that sprawl, in effect, is an unjust tax on earth-friendly city dwellers by callous, land-gobbling suburbanites. Wendell Cox’s Chapter 12, on “Infrastructure Provision in a Market-Oriented Framework,” is a thorough demolition of the notion that urban communities are victimized by suburbanites. Costs of infrastructure are not higher in the suburbs: In fact, extensive retrofitting is needed to add infrastructure to already crowded urban areas, which is far more expensive than supplying undeveloped areas with the same services. This is *before* factoring in the rent-seeking activities for which urban authorities are legendary. Cox also decisively refutes one of the favorite bromides of the anti-sprawlers: the notion that building more highways is futile, since traffic grows to swamp whatever new capacity is produced. In fact, the evidence is sharply to the contrary; further, studies commonly cited to support the highways-cause-congestion notion suffer from blatant, fatal flaws. Finally, Cox gives market-based prescriptions for solving urban and suburban infrastructure problems, emphasizing competitive bidding and franchising of infrastructure. “De-politicizing” infrastructure cuts costs, due not only to the private sector’s attention to the bottom line, but also to the cutting out of urban

rent-seekers, who traditionally have prospered at public expense via their stranglehold on city infrastructure projects.

Speaking of cities, Steven Hayward's Chapter 13, on "Fixing the Dysfunctional Central City," is an unlucky chapter indeed for urban theorists that fellow-travel with "smart-growth" activists. Hayward instructively runs through the litany of policy nostrums that have been pushed by different generations of urban reformers. Urban renewal, the "Model Cities" program, the "Edifice Complex" ("if we build urban monoliths, middle-class suburbanites will come [back]"), regional governments, stadiums and other high-profile revitalization efforts, enterprise tax zones (which he insightfully calls the conservative equivalent of a sports stadium or convention center): All have been pushed in their day as "the" solution to urban woes, and all fail to address the deep structural problems that characterize struggling American urban cores. These problems include not just high taxes, punishing regulations, and government-protected monopolies, but the more fundamental issue that the urban lifestyle is simply not what the average American desires. True urban revitalization must await the political will to tackle deep structural reform of government's role in urban affairs, an unlikely scenario in the near future. Meanwhile, Hayward urges common sense. Why do most parents leave the cities as soon as they can afford to do so? Crime (the urban core's steepest marginal tax) and dysfunctional public education drive more families to the suburbs than the chance to (as sneeringly portrayed by anti-sprawlers) live in a big house in a bigger yard enclosed by a white picket fence. School choice programs—not stadiums and "garden neighborhoods"—would keep more families in the city. Following Hayward's chapter, the editors close out the volume with a useful summary chapter.

Taken as a whole, *Smarter Growth* is a comprehensive engagement of the "smart-growth" movement across the entire spectrum of that movement's urban, suburban and regional policy recommendations. In addition, the very extensive list of references will be useful to anyone interested in quickly getting up to speed on any of the policy issues discussed in the book. Lovers of freedom have long been aware of the Left's growing determination to micromanage land use, a lust for control which is a fundamental threat to liberty in the U.S. (and elsewhere). *Smarter Growth*, in a single volume, identifies, critiques, and offers plausible market-based alternatives to the "smart-growth" movement. It is valuable to the general public-policy student and the urban specialist alike.

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