

WHY PLANNING HAS NOT CREATED LIVABLE CITIES

In virtually every country in every part of the globe policymakers and planners work to redirect, stimulate, control or reduce the growth of urban areas. Few of the world's cities have, however, grown according to plan, which raises several rather intriguing questions for those of us concerned with the problems facing so many of the world's urban populations.

First, is why cities have developed as they have.

Second, is whether principles of planning are capable of operating universally with only minor adjustments for societal differences in institutions and culture.

Is better planning the answer to many of our problems, or do a society's socio-political dynamics make implementation of even the best plans an impossibility? To some of us who have studied the issues closely, the answer we come to is that without changing the way government raises its revenue, all the planning in the world will not lead to cities that provide a high quality of life for all residents.

When comparing the development pattern of cities within the Old World against that of the United States and other more recently-settled parts of the planet, there are clear reasons why and how development occurred along distinctly different paths. One is that Old World cities grew into urban centers over very long periods of time, as people migrated from the rural surroundings. They have survived dramatic changes in socio-political arrangements, in the technological infrastructure of the urban environment, and in their very reasons for being.

Historians have categorized the period of English colonization of the North American continent as one of *salutary neglect*, when isolation from central government fostered the growth of self-governance. Britain's victories over France and Spain in the Old World secured for North Americans a framework of government that was strongly oriented to the protection of property in land but also permitted land ownership to rather quickly become concentrated in the hands of a *rentier* elite. As a result, newcomers kept moving westward into the interior, establishing villages that grew into towns and towns that eventually grew into metropolitan cities.

The arrival of millions of displaced persons from the Old World accelerated the growth of cities located on the Atlantic coast of North America and the founding of new cities all across the interior of the continent. Orderly development was overwhelmed by a chaotic energy fueled by land speculation, railroad expansion, booming agricultural production, mineral extraction, the timber industry, shipping and manufacturing. This is the dynamic activity investigated by Henry George in the 1870s and culminating in his life's work to bring about systemic reforms.

With armies constantly fighting their way back and forth across Europe - and with landed privilege as the basis of political power - the continent's large cities had to be planned in anticipation of the probability of conflict from within and without. What happened in England was rather different. The English managed a shaky unification with the Scots, after subduing the Welsh and Irish, thereby consolidating power in the British Isles under one central government. This occurred before industrialization added to the supply of surplus labor. First, the landless peasants and later the unemployed poor made their way to the far-flung regions of Britain's growing empire.

London was not only the seat of government but by the late nineteenth century was also the center of finance capitalism being fostered under the British experiment with free trade. Britain's port cities also grew in size as the shipping industry expanded. Commercial agriculture replaced tenant farming, leaving displaced farmers with no choice but migration into the cities or overseas.

Advocates of progressive change (influenced to a greater or lesser extent in each country by some variation of socialism), called for policies that would improve health and safety standards, provide public access to recreation and establish publicly-funded education. How these programs were implemented and administrated was, however, both determined by and contributed to by the degree to which each society moved toward centralization or decentralization of public decision-making.

City officials naturally look to higher levels of government for needed revenue. There is a general understanding that heavy taxation will drive away business owners and residents. Beyond this, however, few city officials or their planning teams developed any real appreciation for the economic effects of specific means by which public revenue was raised. Ironically, the economics literature is filled with reasons for exempting all property improvements and fully capturing the potential annual rental value of every land parcel within the limits of a community. That these insights have been ignored for so long or dismissed as valid only where development is less advanced is a curious thing.

A low effective rate of taxation on land rents results in a very volatile land market, where the potential to profit from speculation in land is high, and the annual cost of holding land off the market is low. Thus, in many communities and almost every city a large portion of the land area remains vacant for years or decades. Land speculation and the hoarding of land are easily seen as major causes of urban decay.

Prices for goods are set by the wider market, but the cost of acquiring land is set by the local market. In the central business district of a city this means that developers must build up to cover the cost of land, when available at any price. In other parts of the city once dominated by manufacturing and worker housing, a long period of abandonment leaves only the very poor behind, people who have no other option but to stay, to live in poorly-maintained apartment buildings or decaying housing. Absentee property owners milk the properties for as much cash flow as possible, making as few repairs as possible. Land owners wait patiently for urban pioneers to arrive, acquiring and rehabilitating old buildings and eventually attracting higher income residents and new businesses. They wait for gentrification to repay their patience in the game of land speculation.

For city governments, the challenge when people who enjoy sufficient income leave is how to balance budgets without financially bankrupting those who remain. When the state, province, or national government balks at sharing revenue, the only option they see is to cut services and programs.

Cultural differences also played an important role but primarily with regard to the speed rather than in the direction of change. The greater the homogeneity within a population group (e.g., ethnicity, language, socio-economic class, religious beliefs) the higher the probability that the cultural value system resulted in consensus building around decisions of public policy.



Conversely, in a society such as the United States, pluralism and the existence of Old World subcultures present powerful obstacles to consensus building around a policy agenda to be pursued by the Federal, State and even municipal governments. In the pluralistic society, planning is most effective at the lowest levels of public intervention and decreases in effectiveness as the effort expands in scope. For example, despite notable exceptions, U.S. Federal spending has too often gone to pork barrel projects that are narrowly beneficial but are undertaken despite the recommendations of planning specialists, community leaders and residents. City planners in the U.S. must not only face 50 state governments but literally thousands of regional and municipal bodies that claim jurisdiction over resource allocation and land use.

While noting the obvious problems associated with the U.S. model, a return to market-oriented growth policies during the 1980s countered the drift toward highly interventionist central planning. Two reasons for this were a loss of public support for bailing out the cities and the decline in government revenues available for large-scale development/redevelopment projects.

During the early 1980s, the Reagan administration emphasized a return of program administration to the states and a scaling back of revenue sharing; regional and municipal governments then looked at a menu of ways to encourage private development that included below-market land sales and long-term tax abatements. So, what does this all mean and where are we headed? Absent the societal commitment to look to land rent as a primary source of public revenue, urban problems can only be mitigated, not solved. Despite rising crime, congestion and crowding, people continue to leave the countryside or their homelands for the world's major cities. Few cities have been prepared for this influx of people. Private sector resources have not been forthcoming for development in areas where household income does not support a high level of consumption. Our dysfunctional market system does not provide very satisfactory levels of housing, employment or support services for low income consumers. Programs such as rent and food subsidies, publicly-funded medical care and education, as well as other forms of transfer payments to the poor do mitigate the impact but cloud the situation for analysts.

In nearly every society we are now seeing a widening gap between those who are the haves and those who are have nots, with less and less opportunity for upward movement in socio-economic condition for the overwhelming majority of those already at or near the bottom. The idea that removal of the leveling aspects of welfare state programs would encourage individuals to change behaviors and become self-reliant has not reduced poverty. Privatization, deregulation and lowered marginal tax rates on incomes have not generated wealth-producing investment. On the contrary, increasing the disposable income of those already wealthy has poured fuel on the speculation-driven character of our economies.

The challenge for the planning community is to convince policymakers that decentralization must be accompanied by changes in public policy that discourage the allocation of investment reserves into wholly speculative opportunities, into projects that produce no new physical wealth or employment opportunities and only serve to redistribute existing wealth from its producers to non-producers. There is only one policy that will start the dominos falling in the right direction, and that is the public collection of the potential annual rental value of land. ■