

# Why Government Planning Always Fails

*The argument for  
market-based solutions.*

**EVERYBODY PLANS.** We plan our workdays, we plan our careers, we plan for retirement. But private plans are flexible and we happily change them when new information appears. In contrast, as soon as a government plan is written, people who benefit from the plan form special interest groups to ensure that the plan does not change, no matter how costly it proves to be to society as a whole.

We now know New Deal planning did more to prolong the Depression than it did to end it. We know urban renewal planning in the 1950s and 1960s displaced more than a million, mostly black, low-income families from their homes and turned some inner-city neighborhoods

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into bombed-out landscapes. We know President Nixon's wage-and-price controls led to energy shortages but did not stop inflation. Despite these failures, governments continue to plan. Almost every city and county in the country has a planning department. More than a dozen states have passed laws requiring local governments to write comprehensive land-use plans that place strict limits on how people can use their property. Congress has passed numerous laws requiring federal agencies to plan, including the National Environmental Policy Act of 1969, which requires agencies to write detailed plans for any action affecting the environment; the Resources Planning Act of 1974, which gives the Forest Service authority to plan both public and private forest lands; and the Intermodal Surface Transportation Efficiency Act of 1991, which, along with successive laws, requires states and metropolitan areas to prepare detailed, long-range transportation plans.

Of course, government agencies need to plan budgets and individual projects. They often go astray, however, when they write long-range plans (five to fifty years or more), comprehensive plans (plans that attempt to account for all of the various side effects of agency actions), or plans that try to control other people's land and resources. Many plans attempt to do all three.

Who writes these plans? The Bureau of Labor Statistics reports the United States

has about thirty-two thousand professional planners. About thirty thousand of them belong to the American Planning Association, which says two out of three of its members work for government agencies. Most of the rest work for private consulting firms that either contract to government agencies to write specialized plans or help private developers negotiate the complicated planning mazes that must be followed to build any project.

Most professional planners graduated from a planning school closely affiliated with an architecture school. This gives them faith in what is known as the "physical fallacy," the idea that urban design has a huge influence on human behavior. Planners love to paraphrase Winston Churchill by saying, "We shape our cities and then our cities shape us." (Churchill referred to buildings, not cities.) This arrogance leads planners to propose draconian rules on private property owners in the hope that such rules will reduce driving (which planners consider bad) or increase people's "sense of community." "The most effective plans are drawn with such precision that only the architectural detail is left to future designers," says one popular planning guru.

Planners believe private-property rights are flexible and can be changed at whim. *The Land We Share*, a book promoted by the American Planning Association, argues that private property is

an “institution that communities reshape over time to promote evolving goals.” If, guided by planners, the government decides that your property has historic, environmental, or scenic values, they can take from you the right to use your land, without any compensation.

The Supreme Court has endorsed this view. In 1926, the court held that cities could zone land for certain purposes only to prevent nuisances, not to protect the general welfare. But in 1978, the court greatly broadened the powers of government planners when it allowed New York City to prevent the Penn Central Railroad from modifying Grand Central Terminal. No one thought the proposed modification was a nuisance, but the city argued that protecting a historic building would promote the general welfare. Writing for the majority Justice Brennan specifically stated that because New York had written “a comprehensive plan to preserve structures of historic or aesthetic interest,” they could prevent property owners from changing their properties, without compensation.

Planning also played a role in the infamous *Kelo vs. City of New London* decision, in which the Supreme Court said cities could take property from private owners and give it to other private parties (see “The Kelo Decision,” *WRER*, Spring 2006). New London could do this, wrote Justice John Paul Stevens, because it had

“carefully formulated an economic development plan that it believes will provide appreciable benefits to the community.” As the American Planning Association observed, the Kelo “decision validates the essential role of planning.” Apparently, all a government has to do is write a plan and the Constitution goes out the window.

Given this kind of power, government planners are good at producing two things: shortages of goods that people want, and surpluses of goods they don’t want. We can see this by looking at the congested highways in almost any major urban area of the country. Since 1980, the number of miles Americans drive on urban freeways has nearly tripled, but the number of miles of urban freeways to drive on has increased by only 65 percent.

Part of the reason for traffic congestion is financial, but a big part is due to city planners who deliberately promote congestion in order to discourage driving. “Congestion signals positive urban development,” say planners in Portland, Oregon, and any effort to relieve congestion “would eliminate transit ridership.” Similarly, Twin Cities planners decided to stop building roads. “As traffic congestion builds,” they commented optimistically, “alternative travel modes will become more attractive.”

One way planners create congestion is by diverting an ever-increasing share of highway user fees to expensive light-rail

and other transit projects. But planners' hopes for transit have not borne fruit. Even while highways are crowded, transit buses and railcars in most cities run around nearly empty. In 2005, the average public transit bus had room for sixty people but carried just ten. The average light-rail car had room for one hundred seventy-five people but carried just twenty-five. As *The Onion* satirically observes, we persist in building expensive rail systems because "98 percent of U.S. commuters favor public transportation for others."

Transit advocates point out that the autos driving on congested urban highways often have only one occupant. But that is exactly the point: If modern life is so decentralized that carpooling makes no sense for most commuters, how are giant buses and high-capacity trains going to work?

Planners often argue we shouldn't try to relieve congestion by building new highways because those new roads themselves will quickly become congested. Only a government planner would argue that we should not spend user fees building things that people use and instead spend tax dollars building things that people don't use!

The recent housing bubble is also a result of planning. More than four out of five Americans say they prefer a house in the suburbs over higher-density housing near jobs, shops, and transit. But planners

believe a greater share of Americans should live in high-density housing, partly because planners erroneously think people living in higher densities will drive less.

Starting with Hawaii and California in the 1960s, an increasing number of states have passed laws encouraging cities to limit low-density suburban development. This has made single-family homes in these states very expensive. Meanwhile, many cities have subsidized high-density housing to encourage people who would rather live in suburban homes to live in apartments or condos instead.

By 2000, Arizona, Connecticut, Florida, Maryland, Massachusetts, Minnesota, New Hampshire, New Jersey, Oregon, Rhode Island, Vermont, and Washington had joined California and Hawaii in passing "anti-sprawl" laws. These states suffered the greatest housing bubbles, while less-regulated, fast-growing states like Georgia, North Carolina, and Texas enjoyed only modest increases in housing prices.

A standard measure of housing affordability is the median home price divided by median family income. Before 1960, price-to-income ratios throughout the United States were around 2, allowing a median family to pay for a median home in about 11 years. At a price-to-income ratio of 3, a median family could pay off a mortgage in fifteen years. At a ratio of 4, it would

take more than thirty years. At a ratio of 5 or higher, it becomes almost impossible. As of 2006, the average price-to-income ratios in Hawaii and California were more than 8. Ratios in most other states with strict planning laws were between 4 and 5. Meanwhile, ratios in Georgia, North Carolina, and Texas remain between 2 and 3.

Most people know the housing bubble is sending tremors throughout our economy, but few realize it was ultimately caused by planners trying to socially engineer our cities. Yet that social engineering is not working: while dense housing may attract people who don't want to drive, studies show it doesn't significantly change the travel habits of people who prefer to drive.

Planners also argue we need to limit low-density development to protect open space. But 95 percent of the United States is rural open space. Given that unaffordable housing and congestion hit low-income families the hardest, government efforts to protect open space are a tragic misplacement of priorities that simply exacerbate housing, mobility, and other serious problems.

Urban planners admit they want to emulate European cities with their high-density and intensive transit service. Yet they are following models that have already failed. European governments emphasized high-density housing in the 1950s and 1960s. By 1970, western

Europeans were sick of government housing and began demanding more privately owned single-family homes. Three out of four homes built in Sweden in the late 1960s were multifamily apartments; by 1980, three out of four were single-family.

After the fall of the Soviet Union, eastern Europeans also began abandoning the high-density housing projects communist planners had built for them. Recent high-density developments in Portland look nearly identical to housing projects built in East Germany in the 1960s. The difference is that (despite high vacancy rates) Portland is subsidizing more of them, while Germany can't tear them down fast enough to keep up with people leaving for single-family homes.

Europeans' apparent fondness for transit is also an illusion. Though Europe spends roughly \$100 billion a year subsidizing urban transit and intercity rail, they are losing market share to the automobile. Americans drive for 85 percent of all their travel; Europeans for 79 percent. If dense housing and huge transit subsidies don't work in Europe, how can they work here?

The policies of urban planners have given us surpluses of condos and apartments, shortages of single-family homes; surpluses of open space, shortages of developable land; surpluses of public transit, and shortages of highway capacity. These are only some of the surpluses and short-

ages government planners have foisted upon an unsuspecting public. It is time to say the emperor of planning has no clothes. Congress and the states should repeal planning laws. Instead of long-range planning, cities and counties should solve problems using markets and user fees.

Public or private toll roads can relieve congestion. Privatized transit systems can provide mobility for those who cannot or prefer not to drive. Restoration of people's property rights will allow developers to meet the demand for housing and other land-uses. Various fees and other market mechanisms can protect air quality. Private, voluntary efforts can protect critical open space. Such market-based solutions will do far more to improve our quality of life with far fewer unintended consequences than the policies that result from government planning.

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