



Introductory Essay for a Symposium on “Urban Interventionism”

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Although events of the past decade have significantly undermined the intellectual case for hard-core macroeconomic planning, the idea of central planning continues to enjoy legitimacy at the local and regional levels. Much of the intellectual energy of those critical of the unhampered market process seems to have channeled toward more piece-meal environmental and social-policy interventions at the level of the city and suburb, particularly in the form of “Smart Growth” initiatives and an urban-design movement often referred to as “The New Urbanism.” The relevance of the Mises-Hayek critique of central planning seems then to have been lost on academic and practicing planners. Lessons from eight decades of research into the fundamental problems underlying both thorough-going collectivism as well as the more limited forms of central planning of interventionism have been largely ignored by this group.

Smart Growth and the New Urbanism

Smart Growth is a political movement that seeks broad-based and sometimes comprehensive growth controls. On one end of the spectrum, regionalists argue for a regional planning authority with sufficient authority to control land use, transportation, and housing choice at the neighborhood level. On the other end of the spectrum, Smart Growth advocates attempt to use government land-use planning to prevent growth in politically determined “undesirable” places. In both cases, public support for Smart Growth rests on (a) a faith in government intervention and planning to effectively steer (and sometimes predetermine) the growth of a community and/or (b) a fear that new development will fundamentally alter a community.

In the urban planning community, New Urbanism has emerged as an alternative land-use paradigm consistent with smart-growth principles and preferred outcomes. The goal of the New Urbanism is to construct physical environments with relatively high population densities, low automobile use, greater use of mass transit, and mixed-uses of public spaces in order to achieve ambitious environmental and social objectives (Barnett 2000). New

Urbanists contend that these aspects of urban design will promote racial and income equality, environmental friendliness, and traditional civic virtues. While the New Urbanism claims to eschew the heavy-handed methods of traditional urban planning (à la Robert Moses), it nevertheless advocates extensive land-use regulation and zoning, subsidies to expand public transit, controls on the design, scale and number of buildings and residences, and the preservation of farmland and undeveloped tracts to create green belts. Moreover, its attempt to achieve specific urban design objectives implies discouraging or in some cases prohibiting alternative urban forms, even when they may be preferred by homeowners and residents.

The “Free Market” Response

While challenges to these forms of interventionism have come from a number of sources, most critics have focused on practical obstacles to the implementation of urban and regional growth controls or a narrow appeal to local control. Analyses from the perspective of the socialist-calculation debate, the dynamics of the mixed economy, or the Hayekian knowledge problem are based on a more coherent theoretical framework from which to view these issues and would shed new light on the discussion, particularly in the academic and professional community.

The Contributions

The theme of this symposium is Austrian perspectives on urban and regional planning. It includes both theoretical and empirical studies. These articles employ, as a major feature of their analytical framework or empirical investigations such themes as the systematic unintended consequences of urban interventions, Hayekian knowledge problems, and calculation/coordination problems.

The eight articles collected here can be divided roughly into empirical case studies and theoretical treatments, although only a few can be classified easily as either one or the other, owing to the blend of the empirical and theoretical that characterizes most of the contributions. The more empirical studies include Lawrence Lai’s “Spontaneous catallaxis in urban and rural development under planning and contract in a small open economy,” which documents the greater success that a market-based leasehold system, or “planning by contract” or “planning by consent” has had in Hong Kong compared to the government’s attempts at planning. These have ignored the fact that urban and rural development is a spontaneous order and central planning have fallen prey to rent-seeking and Hayekian-knowledge type problems. Lai draws several lessons from his analysis that go beyond the special case of Hong Kong.

Similarly, Peter Gordon and Harry Richardson’s “Exit and voice in U.S. settlement change,” documents settlement trends based on modes of transit in order to illustrate that dynamic patterns of settlement are the result of a return to private rules of land use that are in turn simply market-driven institutional changes. Thus, the much-maligned phenomenon of “urban sprawl” has occurred despite repeated attempts to increase urban densities as mobile populations have chosen to “vote with their feet” (or cars).

Randal O'Toole's "A Portlander's view of smart growth," is a case study in unintended consequences. It examines how Portland, Oregon's regional planning authority, Metro, has, by its attempt to implement smart-growth policies at odds with market forces, generated outcomes that have been almost the opposite of those intended as well as hostility toward Metro itself.

The somewhat more theoretically pitched contributions include Mark Pennington's "Citizen participation, the 'knowledge problem' and urban land use planning: an Austrian perspective on institutional choice," which critically examines the latest trend in government directed land-use planning, "citizen participation." Pennington points out these models of participatory planning, based on "town meetings" and the like, reflect a naïve conception of the nature of the Hayekian knowledge problem and ignores the fundamental limits of voice as a substitute for market-price signals. The result, as illustrated by British land-use planning, is a failure to achieve the objective of improved social coordination.

Pierre Desrochers and Frederic Sautet's "Cluster-based economic strategy, facilitation policy and the market process," scrutinizes the conceptual underpinnings of regional-planning policies popularized by Michael Porter. Drawing from a range of work from Israel Kirzner to Jane Jacobs, they argue that a cluster-based strategy is more attractive from a political than a market-process point of view because it is based, like the approach it is intended to displace, on the "constructivist myth" that it is possible to socially engineer a particular outcome. They argue that this is so even when limited to the promotion of more general objectives such as regional specialization.

Sanford Ikeda's "urban interventionism," is also inspired by Jacobs and Kirzner. Reversing somewhat the traditional Austrian emphasis of the price system's role in effectively harnessing local knowledge, he observes that local knowledge, in which he includes so-called "social capital" and especially "bridging trust," is a critical condition that enables the use of the price system among relative strangers. He then argues that government intervention tends to erode this kind of local knowledge, resulting in negative unintended consequences, as illustrated by the urban renewal projects of Robert Moses in New York City in the 1960s. Somewhat in contrast with most of the other articles in the Symposium, Ikeda argues that New Urbanist critiques of "urban sprawl" may be justified to the extent that much of the rapid suburbanization in the U.S. after WWII has been the direct and indirect result of diverse public policies implemented much earlier that subsidized certain lifestyles or urban forms.

The articles by Sam Staley, "urban planning, smart growth, and economic calculation: an Austrian critique and extension," and Randall Holcombe, "The New Urbanism versus the market process," employ an Austrian framework in addressing smart growth and the New Urbanism. Staley's emphasis is on the socialist calculation debate, while Holcombe contrasts New Urbanism and smart growth with the theory of the market process. Staley looks at the cases of Florida, Oregon, and Washington state, pointing out both their differences and the similar (unintended) outcomes achieved in each, owing to their ignorance of politico-economic forces. While covering somewhat similar ground as some of the other contributions, Holcombe uniquely suggests a positive role for government planning that goes beyond simply the establishment of clear property rights, important as that may be.

He argues in fact that were government to plan more effectively for its own infrastructure development, this could enable spontaneous market forces to take care of the rest.

This symposium assembles most of the best-known scholars working in the field of what may be termed “Austrian-inspired” regional and urban geography and economics. It not only brings together for the first time scholarly articles written explicitly employing these so-called Austrian themes, but would also draw attention to an area that is manifestly still very rich for Austrians to do empirical as well as theoretical research.