

Cato's Letter

A Quarterly
Message
on Liberty

Winter 2008
Volume 6
Number 1

Why Government Planning Always Fails

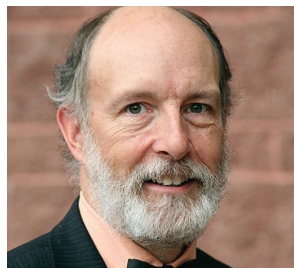
RANDAL O'TOOLE

IN PROVING FORESIGHT MAY BE VAIN;
THE BEST-LAID SCHEMES O' MICE AN' MEN
GANG AFT AGLEY,
AN' LEA'E US NOUGHT BUT GRIEF AN' PAIN,
FOR PROMIS'D JOY!

— ROBERT BURNS

Burns's poem perfectly conveys the problem with government planning. Government officials claim their plans will help us live happier lives. But planners' predictions of the future are no better than anyone else's, so their plans will always be flawed and those flaws lead to more "grief an' pain" than joy.

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 arises. 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.



*Randal O'Toole has spent more than 30 years studying government planning for both environmental and free-market groups. He is one of the Cato Institute's newest senior fellows and the author of Cato's new book, *The Best-Laid Plans*. This article is based on a presentation given by O'Toole at the Cato Club 200 retreat on September 29, 2007.*

CATO
INSTITUTE

We now know that New Deal planning did more to prolong the Depression than it did to end it. We know that 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 into bombed-out landscapes. We know that President Nixon's wage-and-price controls led to energy shortages but didn't 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 for-

“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.”

est 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 their budgets and individual projects. They “gang aft agley,” however, when they write *long-range plans* (5 to 50 years or more), *comprehensive plans* (which 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 says the United States has about 32,000 professional planners. Almost all belong to the American Planning Association, which says that 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 planning schools closely affiliated with architecture schools. 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 actually referred to buildings, not cities.)

That arrogance leads planners to propose draconian rules on private property owners in the hope that such rules will reduce driving (which planners consider bad) and 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 that 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 value, they can take from you the right to use your land without any compensation.

Amazingly, the Supreme Court has endorsed this view. In 1926, the court held that cities could zone land for certain purposes only to prevent nuisances. But in 1978, the court greatly broadened the powers of government planners when it allowed the city of New York to prevent the PennCentral Railroad from modifying Grand Central Terminal, which the city deemed a historic building. 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, where the Supreme Court said cities could take property from private owners and give it to other private parties. New London could do this, said Justice 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 gleefully observed, the *Kelo* “decision validates the essential role of planning.” Apparently, all a government has to do is write

“Planners believe private property rights are flexible and can be changed at whim.”

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 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 hopefully, “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 proven unfounded. 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 60 people but

carried just 10. The average light-rail car had room for 175 people but carried just 25. 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 will 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 to 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 de-

velopment. This has made single-family homes in those 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. At a

price-to-income ratio of 3, a median family could pay off a mortgage on a median home in about 15 years. At a ratio of 4, it would take more than 30 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 isn't working: whereas 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 that 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 higher densities 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 empire, 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 eastern 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 Eu-

“Public or private toll roads can relieve congestion. Privatized transit systems can provide mobility for those who can't or prefer not to drive.”

rope spends roughly \$100 billion a year subsidizing urban transit and intercity rail, they are losing market share to the automobile. Americans drive for 82 percent of all their travel; Europeans for 78 percent. If dense housing and huge transit subsidies don't work in Europe, how can they work here?

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 shortages government planners have foisted upon an unsuspecting public.

Public or private toll roads can relieve congestion. Privatized transit systems can provide mobility for those who can't 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.



Cato Scholar Profile: **ROGER PILON**

ROGER PILON is vice president for legal affairs at Cato and the founder and director of Cato's Center for Constitutional Studies. He holds the B. Kenneth Simon Chair in Constitutional Studies and is the publisher of the *Cato Supreme Court Review*. Prior to joining Cato he held five senior posts in the Reagan administration, including at State and Justice. He holds a B.A. from Columbia University, an M.A. and a Ph.D. from the University of Chicago, and a J.D. from the George Washington University School of Law.

What do you see as the most important constitutional problem today?

Too many Americans have little understanding of the Constitution and the kind of government it authorizes. Politics today is mainly about “problems” the country faces and what government should do about them—often personal problems like how to pay for health care or education. That’s not the Founders’ vision. They saw government as a “necessary evil,” instituted to secure our liberty against foreign and domestic threats, mainly by protecting our natural rights of property and contract, leaving us otherwise free to plan and live our lives and responsible for solving our own problems, alone or with others. That’s the limited government the Constitution authorizes, not the leviathan we have today. Col. David Crockett put it well: “Government big enough to give you everything you want is also big enough to take away everything you have.”

How is Cato’s Center for Constitutional Studies working to address this misconception?

It’s a huge problem. The Progressive Era marked the main turning point, when the push for big government took off. Eventually, following Franklin Roosevelt’s infamous Court-packing scheme, the New Deal Court essentially eviscerated the Constitution’s restraints. As a result, we have today a vast body of redistributive and regulatory “law” not remotely authorized by the Constitution. Since the main problem now is educational, the

center publishes the annual *Cato Supreme Court Review*, which critiques the Court, soon after the term ends, from a Madisonian perspective. We publish books, studies, and op-eds; hold conferences and forums; give lectures and testimony; make media appearances; and file briefs with the Court on important cases. Shortly, for example, we’ll be publishing a wonderful book by Cato senior fellow Bob Levy and Chip Mellor, president of the Institute for Justice, *The Dirty Dozen: How Twelve Supreme Court Cases Radically Expanded Government and Eroded Freedom*, a non-lawyers’ guide to the worst Court decisions since the New Deal.

What Supreme Court cases look to be significant in 2008?

The challenge to the D.C. ban on handguns, *D.C. v. Heller*, is the case to watch, not simply because it’s the brainchild of Bob Levy, but because the Court should decide whether the Second Amendment protects an individual right to have a gun or only a “collective” right, a dispute the Court has never decided.

What are the long-run objectives of the Center for Constitutional Studies?

That’s easy. To encourage a climate of ideas conducive to limited constitutional government—government confined to its authorized powers, exercised consistent with our rights, enumerated and unenumerated alike. We did not lose the Constitution overnight. We will not regain it overnight.

A PROFILE IN GIVING: AL BROWN



Al Brown has been a loyal Cato Sponsor for many years. Back when he lived in D.C., he attended a Cato event practically every week. Now that he lives in Annapolis, he visits Cato's website just about every day. Last year, Al and his wife Mardy attended a Benefactor's Summit in Florida. Al commented that it was a "delightful and profound experience." Asked what he finds most compelling about Cato, he responded, "Liberty and freedom, not just words, but backed up by sound reasoning and credible data."

A couple years ago, Al began to consider ways that he might give something back to Cato, something above and beyond his annual membership. In an era of low interest rates, Al was attracted to Charitable Gift Annuities because this unique planning device melds together a charitable gift for Cato and an enhanced flow of income for him.

The workings of CGAs are pretty straightforward: a donor transfers either cash or securities to Cato in return for a promise to pay the donor (the "annuitant") a fixed income stream for life. Al chose to transfer appreciated mutual fund shares and, in return, receives a 10.6 percent annuity. Annuity rates are based on tables that take into account the age of the annuitant.

Al also received an immediate income tax charitable deduction for the gift portion of the transfer. The "gift portion" of an annuity is essentially an actuarial calculation of what will be "left over" after payment of the annuity

stream. What's more, by giving appreciated securities, Al took advantage of "deferral," a classic tax planning strategy. Rather than selling the shares and paying his capital gains taxes upfront, Al gifted the shares with the result that his capital gain will be spread over the years of his annuity payments.

Al signed up for his first CGA with Cato a little over a year ago. He was pleased enough with the experience that he came back and signed up for a second CGA at the end of 2007.

Although CGAs are not "right" for all donors, they are a popular and flexible device that can suit anyone who

- would like to make a gift to Cato;
- can use a little extra cash flow;
- can take advantage of an income tax charitable deduction

(i.e., you must itemize your deductions); and

- would like to defer capital gains taxes (assuming that appreciated securities will be the subject of the gift).

Cato recommends a minimum investment of \$10,000 for an initial CGA. There is no upper limit on amount.

Cato has been a part of Al Brown's life for decades. His two CGAs will allow him to make a lasting gift to Cato, a gift that will ensure Cato's voice is heard for generations to come. As Al said, it's all about liberty and freedom.

For more information about charitable gift annuities and other planned gifts, contact Cato's director of planned giving, **Gayllis Ward**, at 646-717-2080, email gward@cato.org.



Books from the

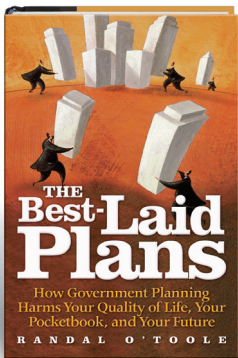


The Politics of Freedom: Taking on the Left, the Right, and Threats to Our Liberties

By David Boaz

In this crucial election year, pundits are coloring everything in red and blue. But according to David Boaz, the old labels of left and right don't tell us much any more. In *The Politics of Freedom*, Boaz takes on both liberals and conservatives who seek to impose their own partisan agendas on the whole country. For nearly 30 years, Boaz has been speaking directly to the large and growing number of Americans fed up with politics as usual. Now, for the first time, his best writings are gathered in one collection.

\$22.95, hardback, 978-1-933995-14-4



The Best-Laid Plans: How Government Planning Harms Your Quality of Life, Your Pocketbook, and Your Future

By Randal O'Toole

Some people think they know all the answers. They know how far you should live from your job. They know how big your backyard should be. They know how cities and forests should grow. Government planners claim to know all that and much more. But O'Toole reveals the truth: that government planning inevitably does much more harm than good.

\$22.95, hardback, 978-1-933995-07-6

Available at bookstores nationwide, online at www.cato.org, or by calling toll-free (800) 767-1241.

Cato Institute, 1000 Massachusetts Avenue, N.W., Washington, DC 20001 • www.cato.org

Nonprofit
Organization
U.S. Postage
PAID
Cato Institute



1000 Massachusetts Ave., N.W.
Washington, D.C. 20001
www.cato.org