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DESTROYING OPPORTUNITY WITH 'SMART GROWTH'

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This commentary challenges the argument put by Peter Newman in favour of urban consolidation, or 'smart growth' policies, in the previous issue of People and Place. It draws on evidence from the United States and elsewhere which shows reductions in road market share have been rare, even where new urban rail has been built. Moreover, housing prices have escalated inordinately in locations where smart growth policies have been adopted.

INTRODUCTION

Peter Newman's article[1] would have been more appropriate in a psychological journal, preoccupied as it was with assigning imagined fears to Tony Recsei.[2] This response provides a summary rebuttal. More importantly, it broadens the discussion to include the impact of 'smart growth' or 'urban consolidation' policies on people and the economy — impacts that are far more important than urban planning, urban transport or anyone's motivations.

FROM RHETORIC TO REALITY

New rail in America

Newman points to new urban rail lines in the United States[3] that were built on the pretense of reducing traffic congestion. In three-quarters of the urban areas building rail, public transport's market share is lower than 20 years ago, and nowhere has public transport taken more than one percentage point of demand from cars. Meanwhile, project costs in the US and elsewhere have ballooned well beyond projections, leading Flyvbjerg to conclude that promoters engage in 'lying' to gain project approvals.[4] Over the past 20 years, US public transport expenditures have more than doubled (inflation adjusted). Yet, public transport's market share continues downward, now below two percent of urban travel,[5] and under one percent outside New York.[6]

Misunderstanding Atlanta

Atlanta's traffic congestion does not result from inadequate public transport.[7] Few urban areas in the world have built as much high-quality metro (underground) over the past 25 years. Per capita ridership in the public transport service area ranks among the top five in the US.[8]

The problem in Atlanta is lack of sufficient roadway capacity. Atlanta's has the largest expanse of suburbanization in the world without a lateral (cross-town) freeway.[9] Moreover, Atlanta's arterial (non-freeway) network is deficient, if not largely lacking.[10] Nonetheless, despite Atlanta's lower density, its average work trip travel time is less than in Sydney.[11] Los Angeles is even less. Total travel time per person in Atlanta is also less than in Sydney. Moreover, traffic congestion in other US low-density urban areas (where roadway systems are better) is less than one-half that of Atlanta.[12]

Public transport: mostly uncompetitive

Anti-suburban policies produce only 'micro' effects that fail to materially reduce automobile use. For example, Newman claims Perth's Subiaco as a success.[13] Yet, per capita public transport ridership in Perth has continued to decline.[14] All of the 'micros' do not add up to a coherent 'macro' because public transport is too slow and requires

transfers. Whether in Perth, Phoenix, Portland or Paris public transport is uncompetitive with the automobile for most urban trips. Only to larger downtowns is public transport competitive, for example, moving a large share of travel to central Sydney or Melbourne. But these downtowns constitute less than 15 percent of urban area employment. Public transport simply cannot compete with either the travel time or convenience of a car from most places to Chatswood or Parramatta, much less to the more dispersed majority of jobs in the rest of the Sydney area. A new two-legged, $8 billion rail line from downtown Sydney will not change this.

Maternity wards and highways

There is a popular view that new roadways induce so much new traffic that they are of no use. If this 'maternity wards make babies' mythology were true, then it would have been evident in Phoenix, which has lengthened its freeway system by far the most in the past 20 years. Yet, Phoenix per capita driving rose at less than the US rate. This is in contrast with ideologically anti-roadway Portland, where per capita driving increased more than the national average.[15]

Mobility and economic growth nexus

As for the alleged connection between rail and urban affluence,[16] our analysis suggests something different.[17] In contrast to the implication that urban rail is associated with greater affluence, a 99 urban area six variable econometric analysis reveals a negative relationship between public transport use and gross regional product per capita (95 percent significance level). The strongest associations with greater affluence were with economic freedom[18] and greater mobility (both significant at the 99 percent confidence level), measured in per capita kilometers. Similarly, Prud'homme and Lee at the University of Paris demonstrate that urban economic performance increases with greater labor mobility, measured in jobs accessible in a certain amount of time.[19] It is not surprising that greater productivity is associated with greater automobility, given shorter automobile travel times.

Building out of congestion

It is far from impossible to 'build our way out of congestion.' It has rarely even been tried. The exception is Houston, which had the nations worst traffic congestion in the middle 1980s and managed to reduce traffic congestion 45 percent in less than a decade by building more road capacity.

Houston's success, combined with serious concern about future economic competitiveness led to the Texas Metropolitan Mobility Plan, which requires urban areas to establish strong congestion reduction objectives for the next 25 years. The substantial increase in roadway capacity will cost astonishingly little. Some new toll roads will be required, together with the equivalent of a petrol tax increase of $0.01 per liter (net of reductions due to improved fuel efficiency).[20]

PART II: BROADER ISSUES: THE ECONOMY AND AFFLUENCE

But a competitive metropolitan area requires more than superior mobility. It requires the growth that is characteristic of a nation with broad participation in its economic mainstream. This is what smart growth would most dangerously undermine.

Fragile foundations of the anti-suburban campaign

Nothing in this article should be misrepresented as an argument for

suburbanization (pejoratively called 'urban sprawl'). Instead, it is a call for freedom, choice and an inclusive economy. As the Lone Mountain Compact puts it:

> … absent a material threat to other individuals or the community, people should be allowed to live and work where and how they like.[21]

Anti-suburban interests have documented no imperative that justifies their radical policies for interfering in people's choices. It is comical to suggest that Australia has a land shortage. Contentions that suburbs have higher government costs are both exaggerated and even outrightly wrong.[22] Urban travel cannot be materially reduced by jobs and housing balance planning dictates, because people make their own decisions about where to live and work.[23] More compact urban areas have more intense traffic congestion and, thus, more intense air pollution.[24] The most promising strategy for reducing greenhouse gas emissions from cars is improved fuel efficiency. Behavior modification will not work.[25]

Rationing land

Australian urban areas have adopted so-called 'smart growth' or 'urban consolidation' policies that ration land. Examples of smart growth are urban growth boundaries, insufficient land releases, excessive development impact fees and large lot zoning (the latter especially in the United States).

Rationing housing affordability

Rationing raises prices and rationing land raises house prices. Urban areas that have avoided land rationing policies have retained far more affordable housing. For example, despite extraordinary demand, the three fastest growing large metropolitan areas in the high-income world, Dallas-Fort Worth, Houston and Atlanta, retain competitive housing affordability multiples (median house price divided by median household income) of below 3.0.[26] The median house price in each of these metropolitan areas remained below A$240,000 in the third quarter of 2005. Similarly low housing affordability multiples will be found in other urban areas in the United States and Canada that have not introduced strong rationing policies.

On the other hand, urban areas with strong land rationing have far higher housing affordability multiples. Examples are Los Angeles (10.2), Sydney (8.8), San Francisco (7.9) and Melbourne (6.9).[27] In the United States, the largest strong land rationing urban areas have experienced housing cost increases four times as great as the areas not rationing land, with prices rising, on average, A$250,000 more per house.[28] All of this is consistent with research by Glaeser and Gyourko, who have shown that land use restrictions 'play the dominant role' in house price differences between US urban areas.[29] A recently released Organization for Economic Cooperation and Development (OECD) report similarly notes the relationship between higher housing prices and stronger land regulation in US markets.[30]

The higher housing prices produced by land rationing are likely to lead to lower levels of home ownership in the future. This is a serious concern, because equity in homes represents more than 40 percent of household wealth. Since World War II, home ownership rates have increased by one-half. Without its high rate of home ownership it is likely that Australia would be both less prosperous and more narrowly prosperous than today.

Smart growth's immediate victims are the many households seeking to buy their

first homes, who are driven out of the market or must accept far less because irrational planning has assumed control. The severity of the problem was highlighted by Reserve Bank Governor Ian MacFarlane who told a parliamentary committee that many young households would have to go places other than Sydney, where 'their life style is more affordable.'[31]

Rationing economic growth

At the urban area level, the prospect is also bleak. Raven E. Saks of the US Federal Reserve Board found that metropolitan areas with stronger land regulation policies tend to have less than expected economic growth.

Economic growth is a necessity, not a luxury. Harvard economist Benjamin Friedman has shown that social cohesion requires economic growth.[32] The recent French riots are a grim reminder that economic growth that leaves too many behind can threaten the social fabric. Land rationing promises to multiply the ranks of the disaffected for virtually no good, save the tidy urban edges so gratifying to some urban planners. Smart growth could lead to a perverse 'trickle-up' economy that transfers wealth from poorer to richer and younger to older. The Great Australian Dream is at risk.

Rationing opportunity

Perhaps the ultimate accomplishment of the Australian economy has been to democratise prosperity. Yet, the task is not complete. Many households remain outside the economic mainstream and many are unable to buy their first homes. The overwhelming consequence of containing urban areas is to extinguish opportunity. It is far too high a price.

References

1 P.Newman, 'Pipe dreams and ideologues: values and planning', *People and Place*, vol. 13, no. 3, 2005, pp. 41-53

2 T.Recsei, 'Pipe Dreams: The shortcomings of ideologically based planning', *People and Place*, vol. 13, no. 2, 2005, pp. 68 - 81

3 Newman, op. cit. p46

4 B. Flyvbjerg, *Megaprojects and Risk: An Anatomy of Ambition*, Cambridge, UK: Cambridge University Press

5 <http://www.publicpurpose.com/ut-usptshare45.htm.>

6 <http://www.publicpurpose.com/ut-pt20trend.pdf>

7 Newman, op.cit., p. 44

8 See, for example, <http://www.publicpurpose.com/ut-us97pc-sys.htm.>

9 W. Cox and A. E. Pisarski, *Blueprint 2030: Affordable Mobility and Access for All of Atlanta and Georgia*, Atlanta: Georgians for Better Transportation, 2004, <http://ciprg.com/ul/gbt/atl-report-20040621.pdf.>

10 We pointed this out in *A Common Sense Approach to Transportation in the Atlanta Region*, Atlanta: Georgia Public Policy Foundation, 2000, <http://www.publicpurpose.com/ut-atl2000.pdf> and recommended development of a one-mile 'geographically constrained' arterial grid. The Atlanta Regional Commission subsequently approved development of such a grid, though at greater than one-mile intervals.

11 Sydney's average work trip travel time was 32 minutes in 2003, see <http://www.planning.nsw.gov.au/tpdc/pdfs/ transfigures_sept2005.pdf.> Atlanta's 2003 average work trip travel time was 29 minutes, see US Bureau of the Census, American Community Survey, which is above the 25-minute average of larger Dallas-Fort Worth (served by a much more robust road network, while also being considerably less dense than Sydney). Overall, daily travel time per capita in Sydney is 79 minutes and 73 minutes in Atlanta <http://www.publicpurpose. com/ut-atlsydtime.htm.>

12 Urban areas over 1,000,000 population, with less than 2,000 population per square mile (approximately 800 per square kilometer). Calculated from Texas Transportation Institute Annual Mobility Report latest data (2003). See <http://mobility.tamu.edu/ums/.>

13 Newman, op.cit p 44

14 <http://www.publicpurpose.com/ut-perth.htm.>

[15] Calculated from Texas Transportation Institute Annual Mobility Report latest data, 2003. See <http://mobility. tamu. edu/ums/.>

[16] Newman, op. cit.p 46

[17] W. Cox, 'Public Transport Performance Indicators: Implications for Emerging Urban Areas,' CODATU X Congress, Bucharest, Romania, May 2004, <http://www.publicpurpose.com/c11-icators.pdf.>

[18] Based upon the Heritage Foundation index of economic freedom. Current edition at <http://www.heritage.org/research/features/index/.>

[19] R. Prud'homme and C. Lee, 'Size, Sprawl, Speed and the Efficiency of Cities,' Paris, France: Obervatoire de l'Économic et des Institutions Locals, 1998

[20] For details see Texas Transportation Institute (T. Lomax and D. Ellis), A. Pisarski and W. Cox, *Shaping the Competitive Advantage of Texas Metropolitan Regions: The Role of Transportation, Housing and Aesthetics*, Austin: Governor's Business Council Transportation Task Force, 2005. The Texas Metropolitan Mobility Plan is the outgrowth of a 2003 Governors Business Council study by the same authors <http://www. texasgbc.org/reports2.htm.>

[21] <http://www.perc.org/perc.php?id=402.>

[22] See for example, P. Troy, 'The Perils of Urban Consolidation', The Federation Press, Annandale, NSW, Australia, 1996; W. Cox and J. Utt , 'The Costs of Sprawl Reconsidered: What Does the Actual data Show?' Heritage Foundation, Washington, DC, <http://www.heritage.org/Research/SmartGrowth/bg1770.cfm.>

[23] For example, the 2001 American Housing Survey indicates that fewer than 15 percent of homeowners choose their neighborhoods principally to be closer to their jobs <http://www.census.gov/hhes/www/housing /ahs/ahs01_2000wts/tab211.html.>

[24] See W. Cox, *Smart Growth and Housing Affordability: Report for the Millennial Housing Commission*. <http://govinfo. library.unt.edu/mhc/papers/coxsg.doc.>

[25] For example, See D. Greene and A. Shafer, *Reducing Greenhouse Gas Emissions from US Transportation*, Pew Foundation, May 2003, <http://www.pewclimate.org/docUploads/ustransp%2Epdf.>

[26] *Demographia International Housing Affordability Ratings and Rankings*, <www.demographia.com/ dhi-rank200502.htm>, February 2005.

[27] ibid.

[28] Calculated from National Association of Realtors median house prices for 2000 and 2005, comparing the largest land rationing metropolitan areas (New York, Los Angeles, Boston, San Francisco, Miami and Washington) with the largest market oriented metropolitan areas (Dallas-Fort Worth, Detroit, Houston and Atlanta).

[29] E. Glaeser and J. Gyourko, *The Impact of Zoning on Housing Affordability*, Harvard Institute of Economic Research, Cambridge, MA, 2002

[30] <http://www.oecd.org/dataoecd/41/56/35756053.pdf, Box III.2.>

[31] <http://www.aph.gov.au/hansard/reps/commttee/R8516.pdf>

[32] B. Friedman, *The Moral Consequences of Economic Growth*, Alfred A. Knofp, New York, 2005