

Town planning and the market

Planners...

A decade ago the Berlin wall came down. Centralised planning had been both a visual and a human rights disaster. Yet many still believe that planning by government and its agencies can deliver prosperity, create jobs, eliminate poverty, provide food and housing, make cities more efficient, protect the environment and save natural resources for future generations. After all, if only our cities had been planned better, development would be integrated, there would be less congestion, no slums, many aesthetically pleasing buildings, beautiful parks and no urban sprawl. Similarly, if the economy had been better planned there would be work and houses for everybody, and poverty would be eliminated.

...are ill-informed...

The reality is that central planning has not worked anywhere. It did not work in the old South Africa and it will not work in the new. Attempts to design an ideal city, economy or society, are doomed to fail. No planner or centralised body can have all the information required to make decisions about urban development, the economy, health, natural resources, the environment, and the like. There are too many variables, ranging from the unique desires and preferences of millions of individuals, to countless different ways of doing and producing things. Sadly, in South Africa, the central planners of the old regime have been replaced by the central planners of the new dispensation. In the old South Africa physical and economic planning was driven by the principle of forced segregation, in the new South Africa the driving principle is physical, social and economic integration. In town planning terms this means that the single dwelling on an erf must make way for urban densification, or at least subdivision, and that mono-use areas should become mixed land-use areas. Despite this, much of what is proposed as new in planning actually existed in the old South Africa too, including spatial development frameworks, development corridor initiatives and five year plans.

The alternative to planning by central, provincial and local governments is to allow people to make their own plans. In town planning terms this means that land use decisions should be left to market processes. Planners, in both the private and public sectors, find this hard to accept. For many it is difficult to envisage a system where planners and bureaucrats do not have control over land use. And, public sector planners may ask why, if individuals, businesses and big corporations plan their activities and investments, shouldn't government do the same? The answer is that government driven planning is usually incompatible, even in conflict, with market processes, technological innovation and social trends.

Since planners in government service are divorced from the day-to-day workings of the market they cannot comprehend market forces as investors, entrepreneurs and developers do. Consequently, urban planners may promote development where it is not feasible and prohibit it where it is. This may lead to non-development, which is harmful to those who make their living in the construction industry, and it may also deprive ordinary citizens of housing and urban functions and facilities that may have been conveniently located or of benefit to them.

...conservative...

Petrol filling stations present a practical example of the failure of government driven urban planning. The economic viability of a filling station depends primarily on location. Clearly filling stations need to be where most of the cars are – on main roads and at busy intersections. Nevertheless, planning authorities in many parts of the world oppose filling stations on main routes, preferring them to locate in residential neighbourhoods, or on minor roads. In the USA, for example, the result is that applications for filling stations represent the bulk of zoning applications that end up being contested

in courts. The courts consistently overrule local planning departments and grant applicants the right to establish filling stations on main routes. In South Africa, for many years, road planners did not allow filling stations on national freeways. Eventually market forces, in the form of the petrol companies, won the day, increasing convenience for motorists.

...and poorly motivated.

Town planning is limited in its effect on business and development, since it can only decree what business cannot do, not what business will do. The fact that zoning allows a business to locate in a certain area is meaningless if economic conditions dictate against it. What zoning permits for an area is one thing; what actually occurs may be considerably different. The incompatibility of zoning with market processes is well illustrated by continual change in business methods, consumer preferences and development concepts. If entrepreneurs, who have the most to gain, can not foresee the consequences of their decisions, how can planners correctly judge the need for and economic viability of a particular land use? This is an important point for urban planning, as illustrated by the proliferation of coffee houses in the USA in the 1990s. Virginia Postrel (1998, p200) tells us about Starbucks – the coffee shop chain.

The original idea, [according to] CEO Howard Schultz, “was to provide a quick, stand-up, to-go service in downtown office locations.” Instead, the fastest-growing Starbucks stores turned out to be those near where people lived – the ones that functioned as neighbourhood watering holes. The young adults who had grown up hanging out in shopping malls were looking for safe, friendly places to be with other people, places where, in Schultz’s words, “No one is carded and no one is drunk.” In focus groups, Los Angeles customers said they went to Starbucks because the place felt social. The company adjusted its strategy accordingly, building more and larger neighbourhood stores, with more tables to sit around. It now deliberately seeks to foster a social, European-style cafe environment.

In establishing the Starbucks outlets its owners had addressed not only a need it could identify but also many others it didn’t realise were there. It prospered by tapping both the knowledge of its founders and the unarticulated desires of its customers. Starbucks discovered an X-factor. Schultz (quoted in Postrel, 1998, p201) writes:

Back in 1987, none of us could foresee these social trends, and how our stores could accommodate them. What we did, though, was to appeal to the sophistication and wisdom and better nature of our potential customers, providing them the kind of music and atmosphere that we liked for ourselves.

People didn’t know they needed a safe, comfortable, neighbourhood gathering-place. They didn’t know they would like Italian espresso drinks. But when we gave it to them, the fervour of their response overwhelmed us.

Entrepreneurs, by contrast...

But, how did the planning and zoning system respond to Starbucks? Like other innovations, coffee houses were threatened by the planning system and the powers of planning departments. Schultz (quoted in Postrel, 1998, p202) writes:

When Starbucks wanted to establish stores in San Francisco, it discovered that many neighbourhoods flatly prohibited third places. The city had banned the conversion of retail shops into restaurants. Starbucks could only sell coffee and pastries to go; it

couldn't encourage customers to linger and converse, because the law forbade chairs. Sure that stores, not restaurants, were what their neighbourhoods needed, and were all those neighbourhoods would need far into the future, technocratic planners had stifled the vitality and adaptability of San Francisco's communities.

Starbucks by then was rich and famous, not a little upstart enterprise, so it was able to get away with less desirable locations. Instead of building the neighbourhood shops it knew would be most successful – stores on the verge between home and commercial life – it opened in busy shopping districts. And it eventually got the law changed. The city council agreed to a new zoning category, “beverage houses,” solving the problem until the next innovator comes along with something the zoning code hasn't considered. “Once the code was changed,” writes Schultz, “many cafes opened, reenergising the neighbourhood street life in several communities in the city of San Francisco.”

...have to overcome conservative regulations...

The Starbucks example illustrates the following: firstly, that American zoning regulations can be as silly as similar regulations anywhere else in the world; secondly, that planning authorities tend to prevent you from having your “cup of coffee” in an environment and location of your choice: thirdly, that entrepreneurs act on needs that they identify in the market, i.e. market processes tend to provide you with that “cup of coffee” where you want it; finally, and more importantly, planning authorities eventually respond to market forces, which explains why planners think that they are right. In South Africa there are many examples of developments that became landmarks on the urban landscape, despite the initial resistance of planning authorities. Examples in the Johannesburg area include Parktown, Rosebank, Sandton, Sunninghill, and Four Ways.

...take chances and be surprising...

The market is a dynamic system. Left free to innovate and to learn, people discover what they like and don't like and entrepreneurs and developers learn what works and what doesn't. For entrepreneurs discovery is a risky process, as they can never be completely sure that their investment and development decisions will produce the required results. The local planning department and its planners face no such risks. Thus, as pointed out earlier, since not even the entrepreneur, who is closest to the coalface and has the most to gain, can foresee all the consequences of his decision, the competency of the local planning department to judge the viability of a particular land use in a particular location is in serious doubt. This fact should make planners more humble when they formulate plans for an entire city.

...to satisfy consumers.

Statutory land use planning in a market driven, democratic society, is more likely to fail than to succeed. Bernard Siegan (1997, p184) observes that it implies an orderly, rational process designed to best use land for both present and future generations. It implies that there are experts in planning who know how to manage resources to achieve planning and developmental goals. Statutory planning assumes that there is something precise, measurable, or quantitative about planning, or its standards. This assumption is difficult to substantiate. Is there some precise measurement available to determine the “best” use of some or all of the land, to weigh the merits of development proposals, or to judge whether land is better suited for shops, factories, or the housing of people? Should a tract of land be developed at ten, twenty or sixty units per hectare, or is it better suited for an office park or a shopping centre; or should it be retained as open space?

Objective decisions are not relevant...

The proceedings at tribunal and Townships Board hearings support the above conclusion. Here one finds arguments from two planners, one supporting the applicant, and the other acting for the local authority. At hearings, planning applications become verbal duels between planners, lawyers and advocates, each promoting a different position. Again Siegan's (1997, p185) observations ring true in the South African context:

Accordingly, what goes under the name of "scientific" planning is really opinion put forward by those trained to practice the art of urban development. The country's zoning experience raises serious doubts that such training, and knowledge provide any special insights, either in evaluating the present or in predicting the future.

...people have subjective needs.

Theory and education alone cannot substitute for the actual experience of making practical decisions and suffering their consequences. Few municipal planners have ever been part of the construction or development industry, or responsible for actual decisions in the development of residential, commercial, or industrial projects. Even if they once had been, their information about prices, materials, innovations, trends, consumer desires, and preferences must now come from secondary or more remote sources, not directly from the "firing line." How then can planners possibly be as familiar with the location, development, construction, and operation of shopping centres, housing developments, nursing homes, or mobile-home parks as those who develop, own, and operate them? Owners and their mortgage lenders risk substantial funds on the success of the projects they undertake. Yet, under zoning, planners are expected to regulate land use, an awesome task even for the most knowledgeable. Unfortunately for the community, in lieu of hard information, planners will tend to rely on their own beliefs, experience, and background, and this inevitably creates hardships and problems for those of different perspectives.

Under statutory land-use planning, control over the use of land is transferred from citizens to government, thereby politicising urban development and subjecting it to the rigidities of bureaucratic management. Inevitably city building becomes an expression of ideology, of which the apartheid city serves as an example.

The world's most prosperous peoples are those who enjoy the greatest measure of economic freedom. The same is true of cities. If the goal is to create prosperous cities, which cater for the diverse needs of all citizens, planning needs to be freed from its statutory shackles.

References

- Mintzberg, Henry (1994) *The Rise and Fall of Strategic Planning*, The Free Press, New York, N.Y.
- Postrel, Virginia (1998) *The Future and its Enemies – The Growing Conflict over Creativity, Enterprise, and Progress*, The Free Press, New York, N.Y.
- Siegan, Bernard H (1972) *Land Use Without Zoning*, Lexington Books, D C Heath and Company, Lexington Massachusetts.
- Siegan, Bernard H (1997) *Property and Freedom – The Constitution, The Courts, and Land-Use Regulation*, Transaction Publishers, New Brunswick (USA).

*This Briefing Paper was written by Johan Biermann,
Johan Biermann Associates – Town Planners.*