METROPOLITAN PLANNING:
Economic Rationalism and Social Objectives

Peter Self

Urban Research Program
Working Paper No. 22
July 1990
METROPOLITAN PLANNING: Economic Rationalism and Social Objectives

Peter Self

Urban Research Program
Working Paper No. 22
July 1990

SERIES EDITORS: S. R. Schreiner and C. J. Lloyd
© Urban Research Program, Research School of Social Sciences, Australian National University 1990

National Library of Australia
Cataloguing-in-Publication data:

Self, Peter, 1919- .
Metropolitan planning: economic rationalism and social objectives.

Bibliography

1. City planning – Australia. I. Australian National University. Urban Research Program. II. Title. (Series: Urban Research Program working paper; no. 22).

307.120994
The Urban Research Program is a part of the reorganised Division of Economics and Politics in the Research School of Social Sciences which came into being in early 1990. Like its precursor, the Urban Research Unit which was established in 1966, it carries out studies in the social sciences on Australian cities. Work undertaken in the Program is multidisciplinary and ranges widely over economic, geographic, historical, sociological, and political aspects of urban and regional structure and development, as well as more general areas of public policy.

Working Papers are issued on an occasional basis with the intention of stimulating discussion and making research results quickly and easily available. Most papers will be published in final form elsewhere. In some cases, material will be published which, although of specialist interest, has no ready outlet.

Working Papers represent the work of members of the Program or papers presented to a URP-sponsored seminar or conference. In most cases, the Working Papers are Australian in content or relevant to the Australian context. Proposed papers are subject to a preliminary internal review of a committee comprising the Series Editors and the Head of Program. If the review committee deems the papers suitable for possible publication, it is then sent to at least one external assessor for further comment.

The views expressed in these papers are those of the authors and not the Urban Research Program.

Series Editors:
Shelley R. Schreiner & Clem Lloyd
ABSTRACT

The paper covers a familiar subject—the basic value of the market system and the major defects of markets such as their instability and inequality. Peter Self contends that planners have contributed to the stabilisation of urban systems, but have often added to the inequalities of the market system rather than reducing them.

Self examines the basic criteria of welfare economics and argues that there is no necessary discrepancy between economic and social goals. The ultimate economic goal is to maximise the sum of individual welfare and this goal logically includes unpriced, as well as priced, aspects of individual welfare. Planners' possible contributions to the creation of a 'liveable city' and a better 'quality of life' are shown to be substantial but have still to be realised in Australia. He then deals with the apparent conflict between 'efficiency' and 'equity', arguing that more equality in the distribution of welfare (of all kinds) would in fact tend to maximise the sum total of welfare. The reasons why many economists shy off this conclusion are discussed.

The way in which market inequalities are, in fact, augmented by the economic structure of the big, modern city is analysed. Self argues that an effective and just planning strategy requires a combination of substantive goals (which benefit society generally) and egalitarian goals (which discriminate in favour of poor and disadvantaged groups.) The author then applies this general approach to the metropolitan strategies recently prepared for four large Australian cities. He reviews urban consolidation policy, centres' policy, environmental policy, and State development policies from this standpoint.

In the paper's concluding sections, the author deals briefly with the scope of metropolitan planning and its relation to social justice strategies, and with some current economic and ideological objections against a wider role for planning. He then summarises future directions for planning.
Introduction

It is often claimed or assumed that there is an inevitable conflict between the economic and social goals of metropolitan planning. In one obvious sense, this is true. If, for example, a basic economic goal is to minimise public expenditure, there will be pressure to cut the standard of social services and of public amenities such as parks and open spaces. It is a truism that most desirable things involve some cost and have to be paid for somehow.

However, it is or should be the aim of metropolitan planning to achieve maximum benefits for the public at the lowest possible cost in real resources. Another important goal is to distribute the benefits and costs of planning equitably. To think effectively in these terms, one has to set aside preconceptions about the respective roles of the public and private sectors, and conventional financial measurements of costs and benefits. For example, many of the possible benefits of planning do not have a market value, but this does not mean that they are less relevant to individual welfare than factors which do have a market price. Again, some financial costs, such as public acquisition of land, are transaction costs which do not involve any direct consumption of real resources—although their effects upon a satisfactory allocation of resources can be significant. Metropolitan planning needs to deal with overall benefits and costs, irrespective of whether the financing comes from the public or the private sector.

In principle, as this paper argues, there is no necessary conflict between economic and social goals, although limitations of resources do, of course, set limits upon what goals can be achieved. The current orthodoxy gives priority to 'market-led growth', but is is a mistake to assume that the market provides an adequate test of economic or social welfare (the two

---

1 This is a revised version of a paper delivered to the URU-sponsored conference, *Metropolitan Planning in Australia 2: Social Costs and Benefits*, in February 1989.
phrases being ultimately identified). It is the purpose of this paper to demonstrate the kind of social goals and the extent of government action which can be defended, not just on ethical or social grounds, but in terms of economic rationalism.

**Economic Rationalism and the Market**

Economic rationalism usually means the efficient transmission and satisfaction of individual preferences. Competitive markets have obvious advantages, when contrasted with governments, for achieving this goal. In particular they do well (as Gorbachev now realises) over allocative efficiency—compare the ease with which a consumer can order her preference in a supermarket with her difficulties in conveying her preference for public goods through voting and political participation. In theory, the doctrine of 'consumer sovereignty' will also ensure productive efficiency—but for various reasons this is sometimes more doubtful. However, economic markets also have serious limitations and grave defects. The limitations arise from the intrinsic nature of an economic market. Thus (a) markets are frequently not genuinely competitive; (b) markets are not simply spontaneous; their operation both requires, and is also much affected by, public laws over property, contract, taxation, monopoly, safety, health, et cetera, as well as by social conventions and norms which influence market relationships; and, (c) actual market situations give differential power and wealth to participants which depend not just upon their contribution to consumer 'utilities' but upon their existing or inherited assets and resources, their location and consequent leverage within the process of production, changing structural conditions (for example, the dominant position of international finance capital), et cetera.

On top of their limitations, market systems exhibit certain tendencies whose effects will vary with the state of market organisation and productive technology, and the character of public laws, regulations and interventions.

(i) Markets can be (and today are) highly unstable—producing rapid shifts of economic activity, obsolescent capital and, in particular, structural unemployment.
(ii) Markets are short-sighted and today are governed by relatively limited calculations of financial returns.

(iii) Markets tend to be highly, and cumulatively, inegalitarian, especially in respect of the distribution of capital (Public laws may reduce or exacerbate this tendency).

(iv) Markets (unless strongly controlled) produce adverse 'spillovers' such as air, water and noise pollution and the destruction of other common resources.

A further point concerns the definition of 'individual preferences'. The market can satisfy only those preferences which can reasonably be priced, packaged, individually allocated and profitably sold. All other preferences or wants have to be the subject of collective provision which (despite what the public choice theorists say) necessarily involves a different framework and standards in the exercise of individual choice and responsibility.

Briefly, then, the economic rationality of competitive markets constitutes one genuine social value (and maximises one form of freedom—consumer's choice), provided it is set within a strong framework of public regulation and collective service provision which satisfies other social values (and forms of freedom). Conversely, unregulated or badly regulated markets and market dominance over matters of collective choice constitute a one-sided perversion of social values. Paradoxically, the virtues of 'free' markets are being extolled today at the very time when the need for collective regulation and public planning has become (for environmental and other reasons) more urgent and important than ever before in the world's history. The market as it actually operates (which, of course, is far from the neo-classical model taught in universities) has become, in Sir Geoffrey Vickers' words 'a dangerously self-exciting system'—not only through its own tendencies, but through its ability to distort and blot out urgent needs for social cooperation which simply cannot be understood or realised through market criteria of wealth maximisation and distribution.
Markets and Planning

The defects of markets offer one important historical explanation for the development of town planning, and for the attempts of planners to regulate land use patterns so as (a) to protect and enhance the quality or 'amenities' of residential areas; (b) to separate incompatible land uses; (c) to improve the general circulation patterns; (d) to reduce the public and private costs of uncontrolled sprawl or congestion; and, (e) to redevelop blighted areas for improved uses.

These aims have expanded by stages from the local (micro) to the metropolitan (macro) area. The planners have modified the instability and short-sightedness of economic markets. They have made some contribution to the economic provision of infrastructure and (sometimes, but very slightly) to improved circulation patterns. They have been concerned particularly with local amenities, parks, open spaces and historical buildings. Their conceptions of an attractive 'townscape' and of a liveable, humanised city have been largely defeated by the developers' preferences for tall, ugly buildings and by the force of the road lobby. After 40 years of modern planning, the best features of Sydney or Melbourne remain (with a few exceptions) those that have been inherited from Victorian days and from their natural setting.

Planning has not been egalitarian. Such benefits as it has produced have gone largely to the better-off. Planning started with the protection and enhancement of residential amenities (and the consequent stabilisation of local land values), but the benefits have gone mainly to the higher-income suburbs. Redevelopment of blighted areas was once seen as the key to helping poorer groups. However, much of this redevelopment has in practice simply displaced such groups (and sometimes consigned them to worse conditions) in the interests of commercial development, new roads or high income apartments.

From an international perspective, redevelopment policies have varied enormously between Sweden (where many poor households have been relocated in well-planned satellites), to the USA (where vast Federal subsidies have been expended upon expelling the poor and blacks to make
way for new offices and high-income apartments). In Australia, the Whitlam period saw a few examples of the effective rehabilitation of a poor area for its existing residents, notably Woolloomooloo, and the green-ban period (now regrettably over) extended some protection to other inner areas. The South Australian Housing Trust has a good record of comprehensive planning of housing and social facilities for lower-income groups, but elsewhere public housing has been on a small scale, less linked with planning, and mainly on the cheapest, poorly serviced sites, or else, as in Melbourne, faulted by the construction of unpopular, poorly-serviced, high-density blocks. Again, there are some exceptions—the efforts of the Macarthur Development Board may be one. Today, public housing policies are usually more sensitive to social considerations and good design, but they are on too small a scale to meet the needs of the increasing numbers who cannot afford home ownership.

So planning has *not*, as might be expected or hoped for, corrected or modified the inequalities of the market system within an urban context. In some countries, it has exacerbated these inequalities. We have here examples of political failure which match those of market failure. One reason for political failure is often short horizons of elected politicians, who will not be around to get the praise or blame for the long-term (or even medium-term) effects of their decisions. In Australia, this tendency is compounded by the frequency and interaction of Federal and State elections—a non-stop electoral calendar. On top of this, there is the current ideology of market-led growth—which is taken to mean (most stupidly and erroneously) that government must adapt its own thinking and time-frame to market operations. In such circumstances, it may seem strange that we have just seen a new out-pouring of metropolitan strategies. While welcome developments, the goals of these strategies are limited and still have to secure effective political support.

Secondly, and very obviously, there is differential political influence. Rich residents are much better able than poor ones to protect and improve their respective areas. Developers and large or multinational companies can exercise much pressure upon governments fearful of losing some possible investment to another Australian state or foreign country, besides the personal collusion or even bribery which can sometimes occur. As many
neo-Marxist writers have pointed out, the land and property markets have grown greatly in their importance for capital gains, and governments are expected to help maintain these investments—including the use of planning measures to stabilise and concentrate this highly speculative market.

This analysis seems to support the familiar thesis that the political system is controlled by market forces directly or indirectly (for example, through calculations or assumptions about local economic effects). However, I accept that there are counter-forces—such as environmental and residential and consumer movements—which also exert political influence (Lindblom 1977), but the composition of these groups is also tilted upwards in an economic sense. Trade unions might help to reduce the balance somewhat if they again took an interest in planning—though the unions no longer effectively represent the poorest groups.

How about town planners themselves? Here there is a paradox. Town planning is one of the few professions which have grown up primarily within the public service. Hence, unlike doctors, lawyers or architects, the rationale of their very existence has always been closely connected with the advocacy of distinctive public policies and goals. As planning has become more constrained and restricted, and its horizons have shrunk, planners have shown the typical vice of professionals—placing the protection of their turf, their income, and their status well before the achievement of substantive goals. They have also coined the defence that planning is political, so that its techniques rather than its goals are their responsibility, but the defence will not really wash—it would not do for doctors, for example, and much less will it serve a distinctly public profession. Simultaneously, however, planning has become more privatised through the growth of consultancies, et cetera. At all events, the planning profession has failed to examine the ways in which the actual techniques of planning confirm the inequalities of the urban system.

Social and Economic Goals

It is often claimed or assumed that there is a conflict between economic and social goals. Whether and how far this is so depends upon how the word ‘economic’ is defined. If it refers, for example, to the maximisation of
GDP (or of some other financial criterion such as maximisation of private investment) there clearly is a conflict. If, however, economic goals are concerned with the maximum attainment of individual preferences or satisfactions (which is a broader and truer criterion), there need not be conflict between economic and social goals, although there will be substantial problems of measurement and evaluation.

There is also (within the economic rubric) an apparent conflict between the goals of maximising the sum of individual utilities (often miscalled the 'efficiency' goal) and the goal of equitable distribution (equity goal). This economic issue has its equivalent in the question of the balance to be struck between substantive goals (which produce net benefits to society as a whole but are discriminately weighted between individuals—some of whom may incur losses) and distributive goals (which reallocate welfare in favour of poorer and less privileged groups.) Here, we will consider the role of planning first in relation to substantive (maximising) goals and then to distributive (equity) goals.

Planning ought to be able to offer substantial overall gains in the sum total of individual welfare, although it is, of course, arguable as to how far it actually does so. Part of the problem is that for the most part such gains will not be reflected in the statistics of GDP or other financial indicators—indeed, in some cases a welfare gain may show up as a financial loss. Examples of such possible welfare gains include:

(a) Improving access and journey times to work and social facilities without consequent reduction of residential quality.

(b) Reducing air, water and noise pollution—or preventing such pollution increasing.

(c) Improving (or avoiding deterioration in ) the quality and the safety of residential and working environments.

(d) Avoiding or minimising traffic congestion, and ensuring that suitable sites are available at reasonable cost for social and cultural purposes.
(e) Improving the architectural and social attractiveness and variety of city centres.

Of course, some of these benefits will have financial effects, upon house prices or petrol costs, for example, but not in ways that can be easily traced to the achievements (or failures) of planning.

Taken together, these possible contributions of planning represent an important part of the quality of life and of the 'liveability' of cities: they are far from trivial. That this is so is suggested by a number of social surveys, such as a recent British one where citizens were asked to rank the relative importance of different aspects of urban life. The list included measurable economic factors (such as cost of living, cost of housing, and wage levels), the quality of public facilities (such as health and council housing), and unpriced factors (such as crime, pollution, racial harmony and environmental quality). The results showed Edinburgh, Aberdeen, Plymouth and Cardiff voted as the most liveable cities with prosperous South-East towns down the list and London 34th of 38 (Rogerson et al., 1988.).

Of course, the liveability of cities cannot be attributed more than partially to the efforts or failure of planners. A major element seems to be some sense of community or solidarity. This is a factor outside any normally used economic calculus but it does feature in many versions of social goals occurring in the planners' own liturgy. A number of surveys actually suggest that peoples' perceptions of quality of life and 'liveability' is negatively correlated both with size of city (beyond a certain point) and with average income levels. This is good news to all who believe that (again past a certain point) money incomes play a diminishing or even negative part in the sum of human welfare. This is a quite reasonable conclusion for a welfare economist who would accept that individual welfare should not be identified with that part of it which is measured in money terms. It should be good news to town planners—if they know how to build upon it.
Economics and Equity

We next must consider the place of equity in the context of economic and social goals and criteria. The apparent conflict between the economic criteria of maximisation and redistribution dissolves on inspection. This is because to add up the sum of individual utilities requires us to recognise that individuals get different utilities (in money or any other terms) from the same expenditure. Commonsense suggests that a poor man gains greater utility (satisfaction) from a steak or better housing than does a rich man. The implications of this statement are strongly egalitarian, since they suggest that the sum total of welfare will be greater if income and other forms of welfare are more equally distributed.

Many economists argue that this conclusion is invalid because individual utilities are ‘subjective’ and cannot be compared. However, if they cannot be compared, they cannot be added either so that statistics of GDP, et cetera, become meaningless as indicators of human welfare. The economists’ fallback position is the famous Pareto principle which claims that a welfare gain only occurs if some people benefit and nobody loses—thus avoiding any comparisons of individual welfare. However, since an individual’s loss is (on this theory) a subjective evaluation, it becomes almost impossible to compensate individuals adequately for the adverse effects of policy decisions—nor is the effort to do so ever in fact attempted. Thus, the Pareto principle (logically applied) becomes highly conservative and would largely freeze the existing distribution of welfare. It is hard to find any acceptable defence for this conclusion and indeed the argument has a very artificial character since in practice all policy decisions rest upon interpersonal comparisons. All decisions are justified by the case for helping particular individuals or groups, and are inevitably (in this sense) discriminatory (Self, 1975).

A stronger, more relevant argument against the case for redistribution is the role of economic incentives in increasing total wealth and hence increasing the resources available for helping the poor. This argument has more substance, but apart from the obvious fact that the increased wealth is often not used in this way or used to only a minor extent, the whole case for ‘incentives’ has been grossly over-drawn. Sweden, with much higher taxes
and welfare expenditure than Australia, can still achieve greater economic wealth. It has, in fact, been claimed that countries with high public expenditure and welfare provision actually do better on economic growth than countries with lower public expenditures (Castles & Dowrick, 1988). Even if other factors are relevant here, this conclusion would become stronger if economic growth were widened to include 'quality of life' items. A more equal society is likely to be a happier and more harmonious society, with fewer problems of pollution, crime, drugs, et cetera (and their consequent heavy costs) and more contentment with living and working conditions, the local environment, et cetera—hence, quite possibly, a harder working society as well. More prosaically, a distinguished American economist has argued that the distribution of incomes is far steeper than the case for 'incentives' could possibly justify (Okun, 1975)—and this conclusion still ignores the further question of how far existing financial rewards do actually correspond with contributions to the wealth and welfare of society.

The general conclusion must be that the social goal of equity (meaning here a more equal distribution of individual welfare) does not in fact conflict with the economic goal of maximising total welfare. Of course, there is still the open question of how far the goal of more equality should be pushed—a question to which there can be no clear single answer—but that problem need not overly concern us under the actual present conditions and trends of Australian society.2

Equity and Planning

Planning’s failure to achieve equity goals is the more serious because it seems to be the case that the structure and economy of modern cities not

2 I believe that it is actually the open-ended character of the equity principle which leads so many economists to assert that the ‘maximising’ goal has a sort of scientific or professional validity, whereas the messy subject of 'equity' should be left to politicians. A further extension of this way of thinking is the argument that GDP, etc., simply because they can be measured in uniform terms, are better guides to welfare than are social indicators of the quality of life, which are necessarily heterogenous. The technical narrowness and ethical myopia of these arguments would matter less if it were not that many politicians and others are simple-minded enough to believe the economists.
only reflects the inequalities of the market but intensifies them. This comes about in several ways.

(a) A prime determinant of an individual’s level of welfare is his or her house and location within the city. However, access to housing (leaving aside the small quantity of rented housing of reasonable quality) depends upon the individual’s possession of capital and credit rating—and capital is distributed much more unequally than are incomes. The escalation of house prices in big cities such as Sydney has greatly augmented this particular inequality, producing an intergenerational problem (save where parents provide capital) as well as a rich and poor one.

(b) Rising land values have become a major source of speculative gains, which are distributed even more unequally than incomes (save to the extent that trade union funds, et cetera, benefit). This inequality is particularly unjust because it bears no relation to the argument for incentives. The rise in land values is primarily due not to any efforts of landowners, but to the general growth of population and land shortages; yet in the main it is privately appropriated.

(c) A superior location usually brings with it a pleasanter, safer, better-protected local environment; better local schools as well as health and recreational facilities; and sometimes (not always) easier access to work, shopping, et cetera. The difference in quality of life between rich and poor is much greater in a city like Sydney than in, say, Goulburn or even Canberra. The well-off executive or upper professional can occupy an attractive seaside or harbourside house, or alternatively have a luxury apartment and a country house, and can enjoy fully the city’s special facilities such as the opera, whereas the poor individual will probably face a long daily journey to work from an often poorly-serviced location. The growth of the city is due in no small measure to the locational preferences of rich executives and professionals with which their workers have to comply.
How can town planning tackle these structural inequalities of the big city? Much of the neo-Marxist literature sees planning as essentially a zero-sum game, so that a radical policy requires a substantial redistribution of the benefits and costs of city life away from the rich in favour of the poor. I do not think such a concept is sufficient, because better planning is needed for the whole society and should be (particularly in the longer run), a positive-sum game. Nor, of course, would such a program stand much political chance. The only possible political appeal of planning is to demonstrate that it is needed for the welfare of society generally (that is, it has substantive goals) while also raising differentially the quality of life of the more disadvantaged.  

Thus, the way forward for planners lies through a combination of substantive and egalitarian goals, but with a much stronger emphasis upon the latter. This emphasis is justified by the inequalities of the market system as it actually operates in cities, especially big ones. A more equal distribution of personal utilities would certainly raise the sum total of welfare, which is the economists’ ultimate criterion. At the same time, planning also has the potential to increase forms of welfare which are largely ‘unpriced’ but which the evidence shows are of rising significance to the whole population. These substantive gains in quality of life for all also need to be much more equitably distributed.

Improving Metropolitan Strategies

How could such goals be achieved? One starting point is to consider how far the recent metropolitan strategies for four big Australian cities (Sydney, Melbourne, Adelaide and Perth) match up to these goals and where they need to be improved or extended. (For a summary of the strategies, see Self, 1988).

Urban Consolidation

Urban consolidation is a goal shared by all four strategies. In overall ‘substantive’ terms, it is a sound enough goal, given the major changes in household structures and housing demands, and given the high and rising

3 For a political blueprint, see Self, 1982, Chapter 5.
costs of urban spread (Newman, 1988). But to be an acceptable policy on our chosen criteria, urban consolidation must be of particular benefit to the numerous households on low or modest incomes (especially single-parent families, pensioners, single individuals, etc) who would prefer to live in inner or middle-ring suburbs but at present cannot afford to do so or are being squeezed out or displaced. An obvious solution is a big increase in the provision of public housing in these areas, a solution that is at present limited (except, perhaps, in Adelaide) by the shortage of housing funds and the high cost of land in the chosen areas—as well as local residents’ opposition in many areas. The high cost of land could be overcome by a scheme of land value taxation, which would apply the proceeds to social housing goals. Such a scheme would be fully practicable and equitable, but its political prospects seem to be zero.

An alternative approach would be for a State Land Commission to realise profits on land transactions which were then applied (as deliberate policy) to subsidising land costs for ‘social housing’ in inner and middle ring suburbs. The Wran Labor Government in New South Wales played with this idea, but the State Land Commission took the view that its function was to minimise lot prices on the urban fringe, not to divert funds into the higher costs of urban consolidation. If, however, a Land Commission operated on a broader scale so as to make substantial profits from land for higher-income housing (both in inner and outer areas), the above objection would disappear. A proper urban consolidation policy would also justify the retention of rent controls (not their abolition) and an essential increase in public housing funds for inner areas. One way of financing such housing would be through levies on permitted office and commercial developments (as is done in a number of overseas countries.)

Centres Policy
The aim of concentrating more offices, retailing and social facilities in city centres and sub-centres instead of on dispersed sites—is another common goal of these planning strategies. Again, the goal makes substantive sense in terms of urban structure and circulation patterns; but in this case the goal is also in principle more egalitarian.
Many car-owners may well prefer some dispersal of activities if parking is thereby facilitated. However, all actual or potential public transport users clearly prefer concentrated facilities and their personal ‘utilities’ will generally diminish by a great deal more than the car-owners’ utilities will gain if they have to find their way somehow to a series of dispersed locations instead of having the same opportunities within a single centre.\(^4\) Moreover, market forces are such that in Sydney even a successful centres policies is expected to concentrate only 30 per cent of employment in all centres combined, the CBD included. This market pressure is, of course, much influenced by the preferences of top executives as well as—more doubtfully—the convenience of car-owners. (The doubts come in because, while an isolated location may be easier for parking, it will usually be less attractive for lunch-time activities and social contacts.) Thus, the egalitarian element in centres policy is actually a very modest corrective to present trends.

In any case, policy has to be made to happen, and this requires not just land-use regulation but strong public initiatives and investment. All the strategies aim in particular at promoting stronger and larger sub-centres, although they also stress the need to enhance the ‘vitality’ of the CBD (where they all foresee some absolute, but not relative increase of employment.) Clearly, attractive and diversified city centres and sub-centres are vital elements in the goal of a ‘liveable city’ for all citizens, but they are especially important for lower-income and other groups which lack the mobility of the rich. These goals have become much compromised from excessive tenderness to developers, and from the failure to control or tax motor traffic for its side-effects on safety, urban amenity and heritage, as well as urban congestion.

For the CBD, the desirable policy would follow the example of most German cities: eliminate car traffic altogether from most of the centre, strengthen public transport, vigilantly protect the existing ‘heritage’, clamp down on tall and ugly new buildings, promote diversified meeting places and entertainments. Such policies would, on the evidence, maximise the

\(^4\) Mishan argues effectively that the sum total of welfare will not be maximised if car owners are left to exercise their market preferences because the adverse ‘externalities’ upon public transport users, pedestrians and other car users will mount cumulatively. This is an analogue of other situations where urban planning could provide a better solution (Mishan, 1969).
satisfactions of the majority and also of the tourists. But for suburban sub-centres, which at present usually lack diversified activities and an attractive physical environment, the task is more difficult. It can only be accomplished through ‘positive’ public planning which utilises public land acquisition, the provision of public facilities and amenities, as well as lease agreements or joint ventures with private investment executed to a coordinated design. Without such initiatives, centres policy could not pass our suggested criteria.

Environmental Policy
It needs little demonstration to show the substantive value of environmental controls over pollution, which in principle these metropolitan strategies embrace. There can be plenty of argument as to how far such policies should be pushed—but little danger in fact that they are being oversold. On the contrary, one of the general or ‘substantive’ weaknesses of these strategies is lack of specified or desirable environmental standards and how these are to be attained and monitored. However, the egalitarian goal requires more attention to the distribution of environmental ‘goods’ and ‘bads’ throughout the metropolitan area, and the remedial steps to be taken in this regard. The need is a similar one to that of achieving a more equitable development of social facilities.

Urban Development Policy
Finally, in this brief review, one important missing element in the metropolitan strategies needs attention. The strategies do not look beyond the further quite rapid growth of the big cities. However, they contain some evidence about the rising costs of such growth in terms of environmental pollution, water supply problems, transportation costs, and development costs on difficult or remote sites. These problems are greatest in Sydney, where at the end of the present plan period all potential release areas will have started development, and any further growth will involve steep sites, high costs, and serious water (and possibly air) pollution problems. In the Adelaide case, the social and equity arguments against further peripheral growth are strongly emphasised. The Melbourne and Perth strategies have little to say on this subject. However, it is clear that in all four cases, Adelaide included, even a successful urban consolidation
policy will only act as a mild corrective to the outward growth of the big cities.

One advantage of a big urban area is the greater variety (and hence also stability) of job opportunities; but there comes a point where this asset is more than offset by rising costs, environmental problems, social deprivations, traffic congestion and problems of access. It can be argued that the Whitlam new city initiatives came in some respects rather too soon, and that the time is now ripe for State development policies (supported by the Federal Government) which can gradually siphon off some of the continuing pressures of metropolitan growth to other areas. Such State policies should rely neither upon the generalised decentralisation policies once in vogue in Australia, nor, save in special cases, upon single new town ventures such as the ill-fated and badly executed Bathurst-Orange example. Instead, State policies could aim at the gradual but accelerating development of a number of country and coastal towns which could benefit from some migration of people and jobs from the big cities. Much of this work could be carried out in conjunction with participating local councils. Basic elements would be investments in local infrastructure, transportation links and industrial estates, improvements to the town centre, some public housing, and measures to attract private firms and to disperse some public employment. Victoria, New South Wales and Queensland each have some six or so towns with sufficient economic potential to justify such a policy.

Where is the equity element in this concept? A distinguishing feature of Australia is the almost complete absence of medium-size cities between, say, 100,000 and half a million population. (Wollongong and Newcastle qualify, but are now almost linked to Sydney, and Canberra is a special case.) Indeed, there are remarkably few towns also in the 50-100,000 population range. Yet, international experience certainly suggests that middle-sized cities have the lowest service costs on average and come out more favourably in popular estimations than either big cities or very small towns. Are Australians really so different or quite so committed to the now rather polluted beaches of the big cities? In any event, such a development policy would widen the range of life-style opportunities available to Australians, including at least some low-income households at present confined to a choice of outer suburban locations. This opportunity would
certainly need to be strengthened by the provision of good low-income housing in the new centres, which would be helped by lower land and development costs. Some gradual ‘siphoning-off’ of growth in the big cities could also assist a more equitable approach to urban consolidation—if there is the will to take this approach.

Metropolitan Planning and Social Justice

If metropolitan planning is to achieve its potential, clearly it must cover more than land-use regulation. Such regulation has to be linked with positive public initiatives and investments to achieve desired effects. It has to be closely linked with public housing, transportation and financial policies. Indeed, an inspection of the four strategies shows how likely it is that even their modest goals will be vitiated or distorted (in an equity sense) by contrary policies under all three heads. There is no need to rehearse again the controversy between physical planning and urban management to conclude that they are, anyhow in large measure, complementary.

If a more comprehensive and egalitarian concept of metropolitan planning can ever be workable (politically and organisationally), what would be its relation to a social justice strategy? The problem with a social justice strategy is that it is apt to be treated in the same way as some economists treat ‘equity’ in relation to ‘efficiency’—as a little something to be added on or taken away when the harder decisions have been made. I have suggested that this economic viewpoint is both theoretically and ethically wrong, yet it still pervades much of the decision framework. Social justice strategists recognise that it is necessary to get their goals and priorities incorporated into the decision-making processes of individual agencies if they are to make progress. A more comprehensive concept of planning could offer a critical lever for such thinking because of its significance for a variety of decisions. Moreover, planning intrinsically needs a social rationale and could act as a powerful counterpoise to market-dominated beliefs. But can planning do this?
It may be argued that this degree of positive planning for social goals is too theoretical. Can such planning be afforded? Does it not require more public (as opposed to market-led) initiative, more public land acquisition, more public investment, more restrictions on some developers? Yes, it certainly does. But does not this contradict the current economic priorities for stimulating private investment and restricting public expenditure?

There are, of course, good reasons for limiting current public expenditure to the yield of taxation so as to reduce inflation, and good reasons, too, for scrutinising all public expenditure to test its contribution to human welfare. However, the desirable level of public expenditure and taxation is another issue—it should depend upon the respective contributions of public and private expenditure to the sum total of human welfare, a test which has been used throughout this paper.

Public investment is in any case a different matter. In principle, it is just as reasonable to borrow funds for public as for private investment if the purpose is a good one. (The financial tests and time frames will necessarily be somewhat different.) There is no greater burden of net foreign indebtedness if the investor is a public rather than a private body. Of course, it may still be desirable to raise some part of public investment from taxation just as a private company may partly pay for its new investment from earnings—but that in both cases is a matter of prudent finance.

The main argument against public investment is its ‘crowding out’ effect—the absorption of funds which could be better used for investment in manufacturing industry under present conditions. But inspection of the actual workings of the unregulated financial markets hardly confirms this hypothesis. (There is, of course, a quite different and probably true argument that efficient investment in Australian industry requires regulated financial markets.) Rather, it is public investment which is getting ‘crowded out’ through policies of controlling public expenditure which (amazing to relate) do not distinguish clearly—or sometimes at all—between current and capital expenditure but place all public expenditure in
the same ragbag. Consequently, it is public investment, rather than current public expenditure, which gets cut as being much the easier political option. It hurts no one immediately.

Admittedly, the kind of investment required by planning often takes time to yield its benefits, but in view of growing urban and environmental problems this longer-term perspective represents a necessary correction to the stress on market 'consumerism'. Also, if these emerging problems are to be addressed, it is important that public authorities share the profits of urban development as well as steering that development more closely. If, for example, a public planning authority acts as the major shareholder in a comprehensive scheme for developing a new urban centre, it both has the opportunity to create a worthwhile centre (which is not just a set of commercial buildings), and also to get some profit to pay for environmental quality and variety. Whereas actually today public authorities are giving away substantial future profits in order to save immediate expenditure.

The case of land is also special. Land value taxation, besides being in principle equitable, would also help to divert private investment into manufacturing industry. Public acquisition of land is a 'transfer' cost comparable to company takeovers, but potentially much more productive than many takeovers for its linkage with urban planning and development strategies, and also for its ability to reduce the dominant role of private property interests in public consultation procedures.

There is no necessary theoretical conflict between a much stronger and more egalitarian system of metropolitan planning and the basic criteria of welfare economics. It all depends how far such planning can maximise the sum total of individual welfare through satisfying wants that the market cannot meet adequately or at all (many of them unpriced) and distributing welfare more equally—anyhow up to the point where equality seriously affects productivity which seems a long way off.
Conclusion: New Directions for Planning

This paper has tried to show that there is no necessary conflict between economic criteria of efficiency and equity on the one hand, and a more positive and egalitarian set of planning goals on the other. However, it may be reasonably objected that much of the economic discussion has been at a theoretical level. It has not dealt adequately with the practical economic problems and beliefs which planners encounter. This criticism is true, and this concluding section will endeavour to place planning more concretely (if necessarily briefly) within the current economic and political context.

Accepting the economic goal of maximising the welfare of all the individuals in the society, and accepting also the goal of a more equitable distribution of welfare, it becomes necessary for planners to demonstrate that they can contribute to these goals effectively. It makes no basic difference (in theory) that the ‘goods’ which planners produce often cannot be bought or sold in the market, or priced in other than a notional (and arguable) manner. What this situation means is than planners must largely respond to preferences articulated through the political system rather than through the market, although the influence of market tastes and constraints cannot be ignored.

Two practical and political issues have to be faced. The first is that given the high level of government expenditure at over 40 per cent of GNP (in Australia), planners have to seek ways of easing the burden on the public purse while forwarding their own goals. This requires tough measures which are bound to be initially unpopular. For example, few measures could do more to reduce traffic congestion and pollution, and to help combat the greenhouse effect, than a really stiff tax on motor traffic within cities. Or again, a tax on office development in the central areas of big cities would help to disperse offices to suburban or new regional locations, to reduce transportation costs and congestion, and to make the centre of cities more attractive and habitable.

Such policies are not pie in the sky, but have been effectively applied in a number of European countries and are likely to be extended further. The funds realised in this way can then be applied to environmental
improvements in the city itself and in major sub-centres, and to the improvement of public transport. It is important of course that the costs of new taxes should be balanced by positive gains, and that the overall incidence of losses and gains should be clearly equitable. Given these conditions, it seems probable that most people would welcome the final result, as has happened for example in German cities. However, planners need to sell a comprehensive package of policies to the public and politicians, and not to be afraid of advocating hard decisions.

Secondly, there is a severe problem of public investment. Because public consumption expenditure is so difficult to cut, Treasuries look for economies to public investment. This is economically irrational, because borrowing for necessary public investment should be governed by different criteria. The fashionable panacea of enlisting private investment for public purpose is often more costly to the public purse than direct methods, and makes no difference to Australia's debt burdens—which is anyhow primarily a private sector product.

Worse still, if current financial conditions and planning goals of present market criteria of investment are accepted as binding, then any future benefits from an investment which are more than 15 years distant will hardly figure at all in a profit and loss calculation. (They will be too heavily discounted by high interest rates). This means that a private project like the Very Fast Train is almost certainly not financially profitable, unless (as the promoters now admit) land profits from related developments can also be quickly made to help defray the capital cost.

Does Australia care about its future? If so, long-term investments must be made in the present very inefficient transportation system, in the renewal of obsolete urban infrastructure, in soil and forestry conservation, and in environmental management; and, also, in the interests of equity, in low-income housing and in health and welfare services. Planners can help realise these goals by pressing for regulations and for taxes or incentives which reduce the wasteful or harmful use of existing infrastructure and environmental resources. They can seek to restructure cities so as to advance these goals. However, such actions require and must be linked with a substantial volume of long-term investment.
It may well be that to secure the necessary volume of long-term investment, however precisely it is financed, there will have to be some reversal of current policies of deregulation. That is too complex an issue to be explored here. The point for planners is that they need actively to argue for those investments which will sustain the quality of the environment and improve the liveability of cities over a long period.

The market system is dedicated to the continuous expansion of profitable consumer goods which are individually purchased and consumed. Planners are concerned with community or collective goods which cannot be packaged, marketed and sold, and whose value to individuals can only be appraised gradually or in the long run. Unfortunately, political systems are as prone as market systems to short-term perspectives, and planners need to put forward explicit visions of what might be, and to show how these could be realised, if they are to overcome political inertia and the dominant grip of market forces. They have on their side a dawning public consciousness of the high importance and growing fragility of both the human and the natural environment. There is also increasing realisation that the 'public estate', and the patterns of social cooperation and trust which help to sustain it, is a key element in human welfare. These assets are not enough unless planners can also find the right economic and political arguments.
References


All URP Working Papers are free of charge and available from The Secretary, URP, RSSS, Australian National University, GPO Box 4, Canberra, ACT 2601