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## **Book Review**

**by Richard M. Ebeling**

*Liberating the Land: The Case for Private Land-Use Planning* by Mark Pennington (London: Institute of Economic Affairs, 2002); 114 pages; \$15.

Over the last 20 years there have been a variety of strong reactions against the idea of government planning. But one of the areas in which most people still take for granted the necessity of government planning and regulation is urban and rural land use.

This goes beyond the environmentalist movement in the narrow sense. Virtually everyone assumes that the city, county, state, and federal governments must establish various rules and restrictions on the private use and development of land. There are many conservative city councilmen who could wax as eloquent as an articulate classical liberal on the dangers of and abuses from government oversight and regulation of private enterprise and the free marketplace.

But more often than not they believe as strongly as their left-of-center “liberal” political colleagues do that zoning laws and land-use planning must exist “in the interests of the community.” At the local level, unfortunately, most people are advocates of government control.

In 1996, the Institute of Economic Affairs (IEA) in London, England, published a monograph by Mark Pennington, lecturer in public policy at the University of London, titled *Conservation and the Countryside*. He pointed out,

“Before the Second World War, countryside conservation in the United Kingdom rested with individuals and voluntary bodies. From the natural history societies of the Victorian middle classes, to the first property obtained by the National Trust, conservation was a matter for the private sector. Half a century of government control began with the 1947 Town and Country Planning Act, which removed from the individual the automatic right to develop land, paving the way for Green Belts, National Parks and the other statutory designations which have become the dominant feature of countryside policy.”

Pennington then proceeded to show the negative and perverse effects from government planning over land use, pointing out that cases most frequently cited as “market failures” concerning conservation and environmental issues really reflected government failures inherent in the nature of the political process.

The IEA has recently published a new, longer monograph by Pennington called *Liberating the Land: The Case for Private-Use Planning*. His purpose is to challenge the underlying assumptions behind the planning perspective and to explain the superiority of market solutions to land-use problems.

There have been three variations on the planning idea, Pennington says.

“First, there is the comprehensive planning model, under which it is assumed that the planners have the ability to obtain and objectively evaluate all the relevant information necessary to determine the optimal and most desirable allocation of scarce land resources among their potential uses.”

“Second, there is the incrementalist planning model, under which it is admitted that the planners may not be able to have all the pertinent information to begin with, but it is assumed that through a process of trial and error they can learn how to manage the land uses of the society.”

“And, third, there is the collaborative planning model, under which citizens are to determine land uses more directly through a process of participatory democracy in which all the members in a community have their say before any one landowner may use his property for any particular purpose.”

Pennington counters these arguments by drawing upon three strands of free-market ideas: Hayek’s conception of the division of knowledge and the price system; the public-choice approach, with its emphasis on self-interested behavior in the political process; and the property rights analysis that focuses on the incentives at work under private ownership.

If governments are to determine the allocation and use of land, they must have some rule or guide or steering mechanism to decide the appropriate apportionment of the land resources under its control.

How much land and which pieces of land shall be used for residential housing, industrial sites, recreational locations, urban development, agriculture and farming, and wildlife preserves?

And how much land and where, at the margin, shall the land uses be changed or modified as circumstances, uses, values, and demands change over time?

If such uses are to reflect the values and desires of the members of society — assuming that these decisions are not to be made simply arbitrarily by an arrogant environmental elite asserting dictatorial right of control for themselves — then there must be some system through which individuals can express and demonstrate their valuations, judgments, and willingness to pay a price for land to be used for some purposes rather than others in various geographical locations.

Pennington explains that the Austrian economist Friedrich A. Hayek’s contribution to economic understanding was to demonstrate the manner in which market competition and prices serve as the means through which the allocation of land among alternative uses can reflect people’s preferences.

Where land is privately owned, individuals have the opportunity and ability to buy and sell it for various uses. They express their individual valuations and appraisements for different pieces of land through the prices they are willing to pay or receive for them.

Market prices, therefore, encapsulate and incorporate the information and knowledge of multitudes of people in society concerning their desires and demands for land to be used for one purpose rather than some other.

Furthermore, in the marketplace decision-making and control is decentralized, divided among a vast number of owners and buyers. Thus, if error or miscalculation results in someone's misusing or incorrectly allocating some pieces of land, the mistake is localized and limited, unlike errors made by the general and centralized government decision-making, under which the error or misuse has less of an immediate negative feedback and potentially affects the entire community.

Hayek's analysis, Pennington explains, was meant to show that, even if we assume that the central planners had the best of intentions in mind, with only a desire to "do good" for their fellow men, without the competitively generated structure of relative prices to reflect market demand for scarce land resources, they would not know how to rationally apply and use the land under their control.

Public-choice theory, on the other hand, reminds us that people, including those participating in the political process, are basically guided by their own self-interest.

Central planners have their own agendas, and various special-interest groups desire to use the political avenue to acquire what they want outside of the peaceful and voluntary relationships of the market economy. Individual voters often lack the incentives to become informed enough to understand how and for what purpose the political process is being used by interest groups. (This is called "rational ignorance.")

And often the political gains accruing to the special-interest group far exceed the particular burden born by the individual consumer. The individual voters bearing this cost do not have the motive to resist the system of political privileges and favors. (In technical terms, this is "the concentration of the political benefits for the interest groups and the dispersion of the costs of those benefits among the general consuming public.")

This means that land-use decisions and allocations through the political process usually have nothing to do with some imagined "public interest" or "general welfare." They reflect the power and pull of those who desire monopoly position to restrict competition, and the desires of those who wish to impose their valuations and preferences on others through coercion and control rather than through peaceful persuasion and exchange.

In addition, Pennington emphasizes that private property rights mean that individuals must take into consideration the consequences and effects of their actions on others in the society. The problems of pollution and environmental waste or abuse arise only where property has not been privatized and property owners are not expected to be legally as well as morally responsible for their actions. Furthermore, property rights create incentives for owners to think about tomorrow before deciding how to use their property today. Their property represents sources of future income, both from using land resources for the manufacture of products or the marketing of services and from its resale value as a potentially productive asset.

Finally, Pennington turns to the question of how land uses might be determined in the private market if left completely free of government planning, regulation, and control. He suggests that precisely because individuals and families do have different preferences and desires concerning

the types of neighborhoods and environments they would like to live in, proprietary communities would probably develop and take shape.

They would offer the services and surrounding land-use amenities reflecting the wishes of different groups looking for places to live and bring up their children. Restrictive covenants agreed to by those who moved into such diverse communities would ensure that all those participating respected the valuations and wishes of their chosen neighbors. “A housing developer who fails to provide a package of restrictive covenants to protect amenity values will lose custom to those competitors who do so,” he explains. “In the proprietary community model individuals are, in effect, contracting into a set of *collective or shared private property rights* offered for profit by institutional entrepreneurs.”

These and other possible private institutional arrangements offer “market solutions” to community and land-use problems. As Pennington points out,

“The primary argument for the market as advanced by Hayek is that it is a realm of *voluntary planning* characterized by *private property and freedom of contract*. It is within such a realm of private contract that people may voluntarily associate in organizations that restrict their own behavior in particular ways, in order to engage in acts of planning and social cooperation that can serve the collective good.”

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