

Returning Planning to the Market: An Agenda for Private Land Use Control

Mark Pennington

IEA CURRENT CONTROVERSIES PAPER NO 11

17 October 2002

Institute of Economic Affairs

2 Lord North Street

London

SW1P 3LB

WWW.IEA.ORG.UK

“The issue is not whether one ought or ought not to be for town planning, but whether the measures to be used are to supplement and assist the market or to suspend it and put central direction in its place. The practical problems which policy raises here are of great complexity, and no perfect solution is to be expected.”

F.A. Hayek (1960, p.350) *The Constitution of Liberty*

Introduction

The British town and country planning system represents one of those time old paradoxes of political economy. Politicians are agreed that the system encapsulates the rigid bureaucracy and special interest capture that are the hallmarks of a planned economy and yet few have any idea how to reform it. Those that dare to put their head above the political parapet and to advance proposals for institutional reform meanwhile, rarely have the courage to carry out the logic of their convictions. A striking illustration of the latter phenomena was evidenced earlier this year. Frustrated by the time it took to get planning permission for Heathrow Terminal 5 the Government advanced proposals to exempt large scale infrastructure projects from the system. Predictably, however, after a storm of public outrage orchestrated by the Council for the Protection of Rural England among others, the proposals were effectively dropped.

In this article I want to take the opportunity to outline the pressing case for reform of the British planning system. In doing so, I intend to go beyond proposals for institutional tinkering and to set out the case for a radical and far reaching set of reforms based on the re-introduction of a much neglected ingredient in British land use policy – *the market price system*. I hope also to go one stage further and to set out some basic principles on which a politically feasible set of institutional reforms will have to be based.

I start by outlining the salient characteristics of the current planning regime focussing on the degree of centralisation and suppression of the price system that this entails. In the following sections I outline the primary distortions in terms of both information and incentives that the suppression of the market process has wrought. Finally, I outline in general and in specific terms some principles on which a radical reform of the land use planning system should be founded.

The British Land Use Planning System

The British land use planning system is one of the few remaining relics of the Atlee government’s post-war nationalisation programme. Whilst virtually all societies in the Western world have instituted some sort of government land use control in the last 100 years, none have gone so far as to introduce anything approximating the provisions of the 1947 Town and Country Planning Act. That act nationalised the right to develop land and in its key essentials has remained virtually unchanged to the present day. Outside of the agricultural sector virtually all land use changes are subject to the requirement to attain planning permission from a local planning authority, which must itself formulate local land use plans on the basis of national

planning guidelines. The magnitude of the changes brought about by the 1947 planning legislation has been captured eloquently by two leading planning lawyers,

“It is impossible to exaggerate the importance of July 1st 1948 from the viewpoint of the local planning authority, the landowner or the building developer, for the 1947 Act conferred some of the most drastic and far-reaching provisions ever enacted affecting the ownership of land and the liberty of the owner to develop and use his own land. Indeed, after 1947 ownership of land carries with it nothing more than the right to go on using it for existing purposes (Grant and Heap, 1991, p.18).”

As this quotation illustrates, the philosophy underlying the post war planning legislation was fundamentally hostile to private property and market processes, with the initial intent to replace the operation of the private land development market with a state directed system, epitomised by the New Towns programme. In the intervening years, however, state activity in the land market subsided as the cost of the post war reconstruction project outstripped fiscal limits. As a consequence the planning system has mutated into a ‘mixed economy’ model, where the majority of production and investment decisions are made by private developers and landowners, but where the latter are subject to a detailed set of regulatory procedures.

Many of the procedures embodied in the British land use planning system are of the ‘command and control’ variety which, rather than working with the grain of market forces, attempt to suppress the operation of the price system. On the one hand, large tracts of land are effectively excluded from the operation of market processes by statutory designations such as Green Belts. On the other hand, the development industry is subject to a variety of quotas and controls introduced via the structure planning process, which attempt to prescribe the volume and location of new housing and commercial developments. It is not much of an exaggeration to say that the practice of drawing up 5 or 10 year plans for housing and commercial land supply owes more to Stalin than it does to Adam Smith. Planning decisions themselves, meanwhile are not the subject of a competitive bidding procedure, but are imposed via political fiat. It is the inefficiency and waste that results from this chronic suppression of the price system that I want to focus on in this article.

Planning without Prices 1: Distorted Information

A well functioning price system is crucial to the efficient allocation of resources in a competitive market economy. Changes in the structure of relative prices for both finished products and for inputs of land, labour and capital, enable individuals to make calculations of economic value in order to determine which combinations of resources generate the highest value from the minimum set of inputs. As the relative prices of different goods and services change as result of technological progress, product innovations and all manner of factors affecting demand and supply, market signals encourage

consumers to shift from more to less expensive alternatives and producers to turn their attention to the most profitable production lines.

Notwithstanding the supposed commitment of politicians from all parties to these basic principles, few commentators exhibit an understanding of the functions that a competitive market system performs. Contrary to the conventional wisdom, the case for the market economy *does not* rest on the concept of a “perfect market” as taught in A-level economics. Such a perfect market does not exist anywhere, any more than a perfect government or a perfect planning office. The key question is this. Do individuals, looking at price signals and the information that is available and taking into account their own preferences take better more informed decisions in general than bureaucrats sitting in Whitehall and Town Halls. In nearly all situations people would agree that they do. In what sense is land use different? If it is different, then I suggest that we adopt land use policies that run with the grain of the market and not ignore it all together.

All economic decisions whether taken by private agents or government officials occur under conditions of chronic uncertainty where completely accurate information on the demand and supply of different goods, appropriate production techniques etc. is *not* known in advance, but must be *discovered*. It is in such a context of uncertainty and imperfect information, however, that the strengths of a competitive market system relative to government planning are revealed. Crucially, the competitive market acts as a discovery procedure in which *contradictory ideas* (about what products to produce, in what quantities, and how to produce them) widely dispersed amongst individuals and firms are constantly tested against one another. Entrepreneurship and the prices obtained in markets represent an attempt by alert decision-makers to create or discover profit opportunities, *not yet noticed by others*. In turn, the profits and losses generated by the constant interaction between consumers and firms spreads information throughout the market as neighbouring actors imitate the behaviour of the successful and learn not to make the same errors as the unsuccessful.

Like many bastions of government regulation, the British planning system is frequently defended on ‘market failure’ grounds and in particular is said to be essential in counteracting the externalities and neighbourhood effects that are considered an integral part of the market in land. At no point, however, do the defenders of the planning system account satisfactorily for the way in which planners are to ‘correct’ for such market ‘imperfections’. The values and associated trade-offs that are attached to the protection of green-field sites, the location of new shopping developments, the environmental impact of different transport patterns etc. are subject to precisely the same uncertainty and imperfect knowledge as any other goods and services. Planners, however, are not subject to a signalling mechanism equivalent to the profit and loss account, which can indicate their success or failure in responding to the relevant trade-offs. Similarly, planners do not have access to a set of relative prices for different environmental goods in order to take their decisions. Two illustrations from the contemporary British planning system should suffice to illustrate the problems brought about by the suppression of

competition and the price system in this regard. Consider first the topical issue of 'sustainable urban form'.

The urban land use debate has been dominated in the recent past by a confrontation between those highly critical of the environmental effects of low-density commercial and residential development, and writers who are equally critical of proposals to encourage high density, compact development patterns. The former, argue that higher density developments reduce the need for car based travel and longer commuter or shopping trips, wherein people are able to access a wider range of services within a smaller surface area. The latter, by contrast, contend that higher densities may actually *increase* car use. Although people may travel longer distances in low-density areas, the *frequency* of these visits (to a large hyper-market, for example) tends to be less, so it is not at all clear that discriminating against such developments will do anything to reduce auto-based pollution.

In practice, there would appear to be considerable uncertainty concerning the effect of different urban forms on transit patterns and related levels of pollution. In reality, none of the relevant commentators may genuinely be in a position to judge the 'social costs' of different schemes and must instead rely on their own subjective preferences to define what types of development would constitute an improvement in the 'quality of life'. It is somewhat surprising, therefore, that central government spurred on by the Urban Task Force and increasingly by professional bodies such as the Royal Institute for Chartered Surveyors, has issued guidelines requiring that local authorities adopt strategies of high density, 'brown-field' development to the complete exclusion of other alternatives. Both government and the professions it would seem have failed to learn the lessons of the last attempt to secure 'sustainable urban form' as manifested in the post war New Towns programme. New Towns were supposed to lead the way to a world of minimum auto-use, but most commentators now agree, ended up increasing the overall amount of long distance commuting. The question must be asked: have the planners really taken into account all the costs and benefits of different ways of planning our towns, in the way that real people do when they choose with their own money to buy flats in densely populated areas or detached houses in the quarter acre plot, or are they imposing their subjective preferences on the rest of mankind. Or, as Frederic Bastiat put it 150 years ago, "at what height above the rest of mankind do our rulers believe they stand?"

Given the massive uncertainties involved, the most appropriate way of dealing with these issues may *not* be to deliberately plan for an 'optimal' urban form, but to permit a wider variety of *experiments in urban living*. The latter may allow a competitive discovery process to reveal which particular ways of organising urban areas work best from the subjective view of the consumer as signalled by the relative willingness to pay for different types of development scheme.

The detrimental effects of suppressing the price system are still more apparent when one turns to the supposed 'jewel' in the crown of the British

planning system – Green Belt policy. As a blanket ban on development covering some 14% of England, Green Belts pay virtually no attention to the huge variations in environmental quality that occur *within* the designated land. The London Green Belt, for example, whilst including wooded hills and chalk downs, also includes large tracts of land on the western and eastern urban fringes, consisting of dis-used gravel pits, quarries, and low-grade farmland/horticultural developments. Whilst there is clearly a desire of citizens to preserve aesthetically attractive sites within easy reach of the city, it is equally the case that people searching for affordable housing might be prepared to see the relatively less attractive parts of the Green Belt developed for residential purposes. This point is of particular importance when considering that some development has undoubtedly been displaced into the ‘deep countryside’ beyond the designated zones rather than taking place on the immediate urban fringe. At the national level such problems are also manifested in the fact that some of the relatively less prosperous parts of the country where more development might be welcomed (in the North and North West, for example) actually have the highest percentages of Green Belt land.

The problems highlighted above stem primarily from a suspension of the signalling function provided by market prices. Without being guided by a set of relative prices, highlighting variations in subjective environmental quality between different sites, planners are unable to know how to choose effectively between competing uses for land. The results are all too predictable. On the one hand, green belts prevent land that might be environmentally suitable for new development from being brought into use and divert pressure towards more environmentally sensitive areas that are not granted green belt status. On the other hand, by contributing to an overall restriction of new development, green belts contribute to the chronic problem of housing shortages around our major towns and cities as manifested so clearly by spiralling land and property prices.

There is another important issue that may be a particular concern to the property development and investment industry. Without question, the price system is the best mechanism for determining which of a number of uses land will be put. Should a retail park be built or offices, should it be flats or a hotel? Again, these decisions are subject to the arbitrary whim of bureaucrats. In one decade land will be zoned, in another decade, we must have mixed use developments. The price mechanism is the most effective mechanism ever discovered for reconciling these conflicts. Which type of development has the higher value? The price mechanism will indicate that. There may be some residual issues of externalities and so on, which might have to be dealt with at the margin. But so many planning discussions take place amongst local councillors and officers predicated on the assumption that they have greater knowledge than the transactors in the community itself about the best use to which land should be put. “We do not need another coffee shop” is the type of phrase that is frequently found in council minutes.

Planning without Prices 2: Distorted Incentives

The often limited and distorted information that confronts decision-makers under command and control policies is by no means the only negative consequence to flow from the suppression of the market price system. A second order problem arises in terms of the distorted incentives that individual actors face in a situation where prices are largely absent. Probably the most striking example of this phenomenon is the pervasive influence of the NIMBYISM that is so rife today.

In the years since the 1947 act it has become increasingly difficult for developers to achieve planning permission for new housing and commercial developments, especially though not exclusively, in high demand areas such as South East England. From a position where 15 000 ha of land per year was transferred from agricultural to urban uses in the 1950s and 60s, in the 1980s and 90s this figure had declined to less than 5 000 ha per year, largely as a consequence of vociferous opposition by local environmental pressure groups. According to a recent report by the Mckinsey Global Institute, the consequences of such action are manifested not only in the form of spiralling house prices, but also in higher retail prices, brought about by a restriction in the number of outlets and in terms of reduced productivity across the economy as a whole.

The entrenchment of nimbyism within the planning system stems in large part from the absence of the incentives that exist for participants in market processes to take into account the wider costs of their decisions to society at large. It is as a direct consequence of the nationalisation of development rights that people are placed in a situation where they have everything to lose in terms of amenity and property values and nothing to gain by way of financial compensation should a new development be allowed to proceed. In so far as the British planning system provides any compensation to people, this comes in the form of so-called Section 106 Agreements, providing 'collective facilities' such as community centres, which may not, however, accord with own their particular individual values. Local residents, therefore, have relatively little incentive to consider the interests of those housing or retail consumers currently living outside of the area concerned who would benefit from development going ahead.

There are, of course, other special interest groups that gain from the present regime. The large house-builders and supermarket chains are notable examples, both of whom are quick to use local planning restrictions to keep out the competition once their own particular plots have been granted with planning permission. To these must be added the interests of the various planning professionals, lawyers and surveyors that are required to supervise the numerous inquiries that have become such a central feature of the current planning scene. It is now not uncommon for the average local planning inquiry (i.e. not the large scale inquiries involved in major infrastructure projects such as roads and airports) to take up to four months to complete and for the process of drawing up structure and local land use plans to take several years. Such procedures involve substantial 'rent seeking' costs for those seeking to gain a planning permission and provide something of a field day for

the lawyers and consultants needed to interpret the relevant legislation and regulatory procedures.

Last, but by no means least in the list of special interest beneficiaries, are the planners involved in the administration of the regime. Planners have little incentive to consider the costs to consumers and to the economy at large from the regulations they introduce because their own budgets, job security and status are inextricably linked to an expansion of the regulatory system. Expenditure figures for land use planning between the 1960s and 1990s are particularly revealing in this regard. According to government figures published in the Annual Abstract of Statistics, planning expenditure has consistently grown at three times the rate of real growth in the economy over the last thirty years – a rise of over 600%. The number of planning applications that are processed meanwhile has increased by a mere 30%. The difference between these figures must be accounted for by the increasing bureaucratisation of the planning system and a lengthening of the regulatory process.

To those, familiar with public choice theory, the pattern of special interest and bureaucratic capture that I have described will come as no great surprise. The allocation of resources that occurs under the British planning system is a classic illustration of the phenomenon of concentrated benefits and dispersed costs. Those who benefit from the current regime are interests that are relatively small in number and can readily organise themselves to manipulate the planning regime. The losers from the process meanwhile, the consumers who continue to pay in terms of higher prices and the taxpayers that fund much of the system constitute a large, diffuse constituency, difficult to mobilise and hence chronically under-represented in the halls of decision.

Returning Planning to the Market: A Property Rights Agenda for Institutional Reform

If the analysis I have presented thus far is accurate then the most appropriate way to cure the ills of the British planning system would be to make greater use of competitive market processes so as to increase the amount of experimentation, to generate more price signals and to change the incentives facing the various actors involved. The question remains, of course, can a market driven system of land use control be trusted to operate effectively in an area frequently associated with 'market failure', and if so, what is the most appropriate way of introducing such a system.

I think the answer to the first of these questions is a definite yes. In considering this statement it is important to emphasise that the case for a market system of land use regulation *does not* challenge the need for 'planning' as such, but rather questions the legitimate sphere over which any particular 'planning model' should be extended. Market processes themselves involve a considerable element of 'planning' properly conceived. As the theory of the firm teaches us, firms are 'planning organisations' that emerge where there are efficiency gains to be made from replacing purely exchange-based systems with a hierarchy of command in order to reduce transactions costs.

How much 'planning' there should be, (which firms should exist and how big they should become) however, is something that can only be discovered by a process of open competition between different organisational forms.

In the specific case of urban land use, it may well be the case that there is a need for institutions that can consciously plan the pattern of land development within a particular area in order to internalise various external effects. What is at issue, however, is the existence of a mechanism that can subject such attempts at conscious planning to a process of competition in order to generate price signals indicating the success or failure of different planning experiments and providing actors with an incentive to weigh alternatives. In one of his few published statements on land use planning Hayek (1960, pp.351-352) put the issue very well,

“Most of what is valid in the argument for town planning is, in effect an argument for making the planning unit for some purposes larger than the usual size of individually owned property. Some of the aims of planning could be achieved by a division of the content of property rights in such a way that certain decisions could rest with the holder of the superior right. ... Estate development in which the developer retains some permanent control over the use of individual plots provides at least one such alternative to the exercise of such control by political authority.” There is also the advantage that the larger planning unit will still be one of many and that it will be constrained in the exercise of its powers by the necessity of competing with other similar units.”

Within this context, there are a variety of private contractual devices that might be used to create appropriate 'planning units' with which to internalise land use externalities and to subject such arrangements to a more vigorous competitive procedure than is possible within the state sector.

Historically there is good evidence that private contractual arrangements based on the estate development model are able to internalise a wide range of external effects and to overcome public goods problems. The use of deed restrictions and private covenants by developers are perhaps the most widely cited examples. In the case of restrictive covenants, developers specify in contracts the activities to be permitted with respect to a particular set of properties for sale in order to internalise external effects and to capture the returns through higher asset prices. Contractual approaches of this genre facilitate the creation of markets in amenity values as individuals choose between competing development packages which offer different bundles of contractual restrictions and their associated externalities. Like all market solutions, restrictive covenants have the virtue of delegating authority to the people whose interests are directly involved in the relevant decisions and allowing them to subjectively weigh alternatives. When choosing what sorts of developments they offer, and in particular what contractual restrictions, developers may discover through the price system the opportunity cost of allowing land to be used for some activity not permitted in the covenant. Likewise, when considering where to live, consumers may compare the different prices associated with differing levels of amenity protection.

In a detailed account of the use of restrictive covenants in the United Kingdom, Davies (2002) has shown that a large part of the urban infrastructure developed during and after the industrial revolution was the product of private contractual planning and was responsible for what are now some of the most sought after residential areas. Covenants and estate development provided for a wide range of 'public goods' such as street lighting, roads and sewerage facilities, as well as aesthetic controls and successfully housed the vast majority of the middle and working classes in affordable accommodation. According to Davies a sophisticated market in property rights and amenity values was emerging prior to the advent of government land use planning, with a range of different amenities and pricing structures in competition with one another. These ranged from luxury resort developments with highly prescriptive aesthetic controls, to more basic environmental standards limiting only the most noxious land uses. Such devices were common across a variety of income brackets with the unsanitary developments that are the stuff of Dickensian imagery, the exception and *not* the rule. Even in the latter case, slum housing was gradually being eradicated by the general rise in wealth and could have been dealt with through policies aimed directly at alleviating poverty rather than the adoption of government land use planning.

More recently, the growth of private contractual communities in the United States, arguably as a response to the failure of conventional local governments to deliver effective urban services, illustrates the potential of market processes to evolve solutions to a variety of land use problems. Market innovations such as homeowners associations, condominium developments and private communities have developed rapidly in recent years. According to Nelson (2002), in 1962 there were only 500 such associations across the United States, but by 1998 there were some 205 000 private contractual associations deploying devices such as restrictive covenants and involving some 42 million people. These range from relatively small-scale associations of property owners working at the level of an individual street or neighbourhood, to much larger developments where entire towns such as Reston, Virginia (pop 50,000) have been developed on the basis of private contractual planning. In China, meanwhile I have recently discovered from a colleague at the University of Wales, Cardiff (Chris Webster), that the management of land use regulations in cities with as many as 250 000 people is increasingly being taken over by private firms.

The primary advantage of the private contractual planning model is that it facilitates competition and experimentation between different communities and lifestyles (low density versus high density, for example) offering various bundles of contractual restrictions across a range of territorial scales. In turn, the structure of relative prices emerging from decisions to buy and sell stakes in such communities enables the decisions of many dispersed actors to be co-ordinated as the prices paid for differing bundles of restrictions transmits information about the valuations placed on such amenities by the population at large. People respond rationally to incentives. Those who do not, fail. The form of organisation that creates greatest value succeeds. It is no longer down to a battle between those trying to influence the bureaucratic process.

A Proposal for Private Planning

What then are the possibilities for moving towards such a system of private planning today and of overcoming the inevitable opposition from those interests that benefit most from the status quo?

A promising way of moving towards a new system of private planning that might offer some prospect of political success would be to adopt a variant of a proposal mooted by Moscovitz and O'Toole (2000). Moscovitz and O'Toole argue for the local community ownership of conservation easements and restrictive covenants through the creation of *local recreation and amenity companies*. In this proposal, property owners would continue to own their acreage on an individual basis, they would be free to maintain land in its existing use and they would also have the capacity to bring forward proposals for new development schemes –as at present. *Development rights would, however, be held collectively by all the other property owners encompassed by a recreation and amenity company.*

Under this particular model, the state would divest itself of development rights through the establishment of recreation and amenity companies which would purchase restrictive covenants from participating property owners in a given geographical community, *paying for these with the issue of shares in the new company*. The company board consisting of all property owners/shareholders in the area would then be responsible for decisions regarding the approval of new development. In turn *all profits and losses attributable to such decisions would be shared out between member property owners, in a manner proportionate to the scale of their holdings*. Individual landowners would no longer hold the right to the full profits from developments on their acreage and the state would no longer hold the right to approve or reject development applications. Rather, development rights would become a form of *collective private property right* shared by the members of the recreation and amenity company at the neighbourhood/community level under the auspices of a unified management system.

The great virtue of this proposal is that it provides a way of internalising externalities at the local scale by creating a regime of proprietary ownership. The value of the proprietary communities' assets would be tied directly to the decisions regarding land management made within its jurisdiction. In contrast to the current British planning system, where the state holds the right to refuse or grant planning permission, under the Moscovitz and O'Toole plan, the management board of the proprietary community would itself be responsible for such decisions. Where under the British planning system *all* the profits from a successful planning application go to *individual* landowners proposing new development - but where planning permission may be extremely difficult to acquire for such things as new housing – under the proprietary model, *all shareholders in the community would receive a share of the profits* because development rights would be held by the recreation and amenity company.

As such, the creation of proprietary communities could appeal to both prospective developers and local amenity interests alike. For prospective

developers membership of recreation and amenity companies may bring about a greater likelihood of pursuing successful schemes. Whilst the profits from new development would have been shared with other members of the proprietary community, the capacity to *realise such profits would be enhanced* because the prospect of receiving a share of the gains by local residents would decrease the likelihood of nimbyist opposition on an 'all or nothing' basis. This would apply in the case of both a property owner *within* a recreation and amenity company wishing to develop her own individual plot, and in the case of an outside developer wishing to purchase and to develop a parcel of land held in common by the proprietary company. Resistance to this proposal and demands for compensation from existing property should thus be minimised, with the offer of shares in the new companies providing a sufficient incentive to join. For amenity interests, on the other hand, the creation of recreation and amenity companies would put the power to decide new development directly in the hands of those most affected. In this situation the property owners concerned could negotiate contractual restrictions to ensure that any development that did take place would enhance the asset values of the company in which they hold a share. This would remove the situation where amenity groups have nothing to gain from new development but may be forced to bear the costs.

The above model of proprietary governance could help to frame an incentive structure that would discourage a 'free for all' either on behalf of developers or by nimbyist organisations, because property owners/shareholders in recreation and amenity companies would be able to consider decisions in terms of the likely effect on community asset prices. Decisions to prevent any development in the locality would be based on knowledge of the *opportunity cost* of such decisions – that is, the foregone financial gains from allowing new development to proceed. Likewise, decisions to allow inappropriate development and to lower the quality of life within the locality would be taken at the risk of lowering the value of company asset values.

Within this context, recreation and amenity companies would have to exhibit an entrepreneurial sensitivity to market forces. A primary implication of this proposal is that *all* local services such as road maintenance, the provision of parks, refuse collection, as well as land use planning would be the responsibility of the relevant proprietary organisation. Companies would, therefore, have to choose the particular bundle of services that they provide and the environmental characteristics that they wish to preserve with regard to the attractiveness of such decisions to future residents and hence the likely effect on asset prices. Under these conditions, one would expect to witness a good deal of entrepreneurial experimentation by recreation and amenity boards in an attempt to discover the most desirable mix of environmental characteristics necessary to maintain a competitive edge.

This might not happen overnight. Meanwhile, the whole planning system, insofar as it remains in place should be reformed on economically rational grounds, using the price mechanism to the maximum extent and only intervening when clear externalities existed. When intervention took place it

should work with the grain of the price mechanism and not involve bureaucratic, centralised direction.

Conclusion

The proposals I have just sketched would present a radical alternative to the continuation of government land use planning and would clearly require some imaginative thinking if they were to be developed successfully. I do not wish to claim that these proposals will offer a panacea for the ills of the current planning system or that the ideas I have advanced will necessarily represent a politically acceptable path to reform. Others who are perhaps a little more attuned to political sensibilities than I may be better placed to address some of these issues. What I am convinced of, however, is that any successful programme of reform will need to build on at least some of the principles I have set out in this article. As the quotation with which I commenced indicated, the very nature of land use problems means that *any* solution will necessarily be imperfect. I submit, however, that a system of private land use planning is likely to be considerably less imperfect than the bureaucratic regime in which we are mired today.

References

Davies, S. (2002) Laissez Faire Urban Planning, in Beito, D., Gordon, P. Tabarrok, A. (eds) (2002) *The Voluntary City*, University of Michigan Press.

Hayek, F.A. (1960) *The Constitution of Liberty*, London: Routledge

Moscovitz, K. O'Toole, R. (2000) *New Incentives for Rural Communities*, Portland, Oregon: The Thoreau Institute.

Nelson, R. (2002) Privatizing the Neighbourhood, in Beito et al, op cit.

Pennington, M. (2001) *Planning and the Political Market: Public Choice and the Politics of Government Failure*, London: Athlone Press/ Continuum International.

Pennington, M. (2002) *Liberating the Land: The Case for Private Land Use Planning*, Hobart Paper 143, London: Institute of Economic Affairs.