

faults that brought the world economy to its knees in 2008. A crisis does indeed provide an 'opportunity'.

A serious examination of urban development policies in the USA and their outcomes provides a strong basis for a series of urban policy recommendations for the future. The past policies and misunderstanding of their ultimate effects and impacts led to unstable land prices and precipitated the Global Financial Crisis (GFC).

The intricate web of forces that result in the urban mosaic of new world cities is found in large part in the Australian economy and many of the lessons learned from the USA experience are important considerations for our public policy deliberations and development.

Dr Claude Gruen, a prolific writer on the urban economy for decades, including a monthly newsletter and journal articles, brings to this book 50 years' experience as an urban economist covering a wide variety of urban economic and land issues and outcomes as they have emerged. He is the principal economist of Gruen Gruen Associates, private consultants based in San Francisco.

This book is a topical account that first lays bare the contributions of urban policy of the twentieth century and their outcomes, leading to the GFC and then what the possible different policies should be for the future. These latter are made in 13 clear recommendations designed to avoid the misconceptions and ill-advised decisions of the past.

While Australia seems to be isolated from the worst of the GFC, urban policy outcomes show a striking similarity to those Gruen outlines, including significant drops in housing affordability and all of the economic and human harm that result.

Chapter 1 sets the scene that led to the housing market and bank meltdowns. Over six or seven decades, lending standards were progressively relaxed, lenders were encouraged to make loans to too many people who could not (ultimately) service them – the sub-primes – leading to massive mortgage defaults that dropped their value and which then led to the bank failures. The irony was that the USA was awash with cash as the mortgages were packaged, sold to investors (including from overseas) who, together with those holding US\$ from the huge trade deficit, reinvested in the USA, enabling all of these monies to be loaned again, exacerbating further the credit level problems of home ownership and other goods and services bought on easy credit.

The middle chapters, using strong economic logic, examine in detail urban land policies leading to the GFC event. This broad sweep considers urban planning and zoning policies and outcomes, including zoning, agglomeration economics, housing

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**New urban development: looking back to see forward,**  
by Claude Gruen Piscataway, NJ, Rutgers University  
Press, 2010, xi + 228 pp., US\$42.95 (hardback)

'A crisis is too good an opportunity to miss.' (R.  
Emanuel, President Obama's Chief of Staff)

Twentieth-century urban development policies in the  
USA explain one of the fundamental underlying

project feasibility, market structures, filtering, gentrification, urban renewal, sprawl and similar matters in a comprehensive manner, which then leads to clear outcomes for positive changes.

A number of issues seem to stand out.

- There is a fundamental misunderstanding or disregarding of the basic economic relationship between supply and demand and its role in pricing land and therefore housing and, as a result, who gets the housing. Gruen shows that policy decisions over decades, supported by some landmark court decisions, have forced ever higher land prices as demand has increased with population growth, but government at all levels has not allowed the same 'free' movement in supply. Local policies have restricted supply so that supply increases and effective demand are not matched by increases in housing production. The harm this causes ultimately ripples across the whole urban spectrum. Those without 'effective' demand have been excluded in too many localities. The harm caused ultimately ripples across the whole urban spectrum.
- Since 1970, there has been a shift in the determination of land use to public officials who respond to voters, and away from equity owners and developers who respond to the market, i.e. government has taken too much control. In examining this part of the mosaic, Gruen digs deeply and broadly to expose the resultant (bad) effects on low income families, infrastructure requirements, transport and worker location optimal requirements.
- There is a need for an understanding of urbanization and the need to manage outward urban growth to avoid the 'bad outcomes' of urban sprawl – although some of the 'bads' may seem absurd with little or no substance in many cases. In others, however, Gruen demonstrates how many of these issues can be successfully overcome with appropriate planning and development policy and spending.

The final chapter is headed 'Urban policies for the new economy'.

Emerging policies and cultural changes that need recognition and in some cases policy inputs, together with clear acceptance that urban land use policies are a tri-government responsibility, leads to Gruen's 13 suggestions for a strengthened economy. Each of these emerges as a logical outcome from the issues examined in the preceding chapters, steps designed to ameliorate past behaviour and to provide urban

environments that will result in improved and affordable housing in desirable settings, including being convenient and accessible to work opportunities.

This is a book that should be read by all levels of government, by Australian urban policy makers as well as planners, developers, investors and other property professionals, academics and graduate students. While not all of the forces found in the USA are found to the same extent in Australia, the parallels far outweigh the differences.

This is a book for 'understanding', with the pieces of the web drawn together by use of economic logic and shrewd observation from the past 50 years, providing important signposts for the future development and growth in our urban areas. This period of crisis in urban environments may well be the defining moment of our generation, a time to take stock of where we have come from, where we are now, and where we should be heading.

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