

The Perils of Planning

Reviewed by Randal O'Toole

SPRAWL: A Compact History,

by Robert Bruegmann

301 pages; Chicago, Ill.: University of Chicago Press, 2005

Urban planners and other sprawl opponents believe that Americans waste land by living in low-density suburbs and that they waste energy by driving too much. The planners' goals are to reduce driving and promote "efficient" land use by increasing the share of people living in multi-family housing and reducing average lot sizes for single-family housing.

To achieve their goals, planners in Portland, Ore., Missoula, Mont., and elsewhere have imposed minimum-density zoning codes that effectively force the conversion of existing single-family neighborhoods into apartments. If a house in one of these zones burns down, the homeowner may be required to replace it with an apartment building. To further discourage large-lot subdivisions, planners have used urban-growth boundaries and other tools to drive up the cost of land from a few thousand dollars an acre to hundreds of thousands or even millions of dollars an acre. To discourage driving, planners have increased congestion by putting barriers in roads and using highway user fees to build expensive but little-used rail transit projects.

There seems to be no extreme to which planners will not go to try to impose their idea of utopia on Americans who prefer the mobility of driving and the privacy of their own homes. Planners even forbade a historic Portland, Ore., church from allowing more than 70 people at one time to worship in

its 400-seat sanctuary because letting more people in would generate too much automobile traffic.

Anti-auto and anti-suburban planners have been egged on by popular authors such as James Howard Kunstler, whose book *The Geography of Nowhere* calls the suburbs "trashy and preposterous," and Jane Holtz Kay, whose book *Asphalt Nation* considers the freedom provided by automobiles to be "vehicular bondage." Fortunately, we now have a book that takes an objective look at the complaints of sprawl opponents and shows they are groundless, thanks to Robert Bruegmann's *Sprawl: A Compact History*.

OLD TREND Bruegmann's book makes three major points. First, urban sprawl—that is, low-density development at the urban fringe—is not a new phenomenon; indeed, its history goes back hundreds of years and perhaps even to the first cities. Second, opposition to sprawl comes primarily from elites who are protecting their wealth and interests from lower classes whom the elites believe are less deserving or less appreciative of the benefits of low-density lifestyles. Finally, Bruegmann shows that most, if not all, of the remedies for sprawl do more harm than good, mainly by increasing traffic congestion and housing costs.

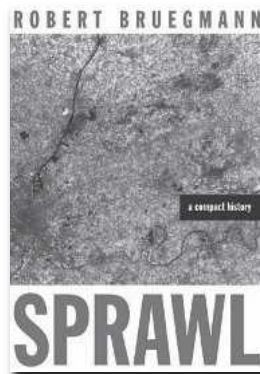
The first point should not be surprising to anyone familiar with the history of urban development. Yet, "the majority of books and articles that have been published on the American postwar suburban experience," writes Bruegmann, "suggest that postwar suburbanization and sprawl were different in kind from what had gone before." In fact, he argues, it was "different in scale but not really different in kind" (p. 43).

Nor is sprawl accelerating, which would imply the hand of government might be needed to slow it down. In fact, Bruegmann points out, house lot sizes have remained about the same or even declined slightly over the past several decades (p. 68). Instead, population densities have declined as a result of a significant reduction in household size—from 3.14 in 1970 to 2.79 in 1990—and an increasing number of workers, mainly women. The decline in household size "would suggest a rapid expansion in the need for housing even without a growth in population," observes Bruegmann, while more workers also need more space to work (p. 60).

Thus, it should not be either surprising or alarming that the land mass of urban areas such as Chicago or Cleveland has grown even as their populations have remained roughly constant. At the same time, the densities of growing regions such as Los Angeles and Phoenix have actually increased in recent decades (pp. 62–63). Bruegmann concludes that "the campaign against urban sprawl, which became most strident in the last years of the twentieth century, was reacting to a trend that actually peaked some 40 years earlier" (p. 69).

Sprawl does not pose much of a threat to agricultural land or open space, Bruegmann argues. In the first place, converting farmland to urban land is not the same as "consuming" land, as sprawl opponents like to say. Farmlands themselves are highly modified from a state of nature (pp. 133–134). Moreover, "agricultural production has clearly outstripped demand," so farmers are converting many former croplands to forests (p. 142). Ultimately, "the total amount of developed land today is probably no more than about 5 percent" of the United States (p. 143).

Bruegmann is typically cautious in this assessment; at the time of the 2000 Census, 79 percent of Americans lived in cities, suburbs, towns, or unincorporated



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rated clusters of 2,500 people or more, yet those areas occupied just 2.6 percent of the land in the United States. The 5 percent that he describes as “developed” includes rural developments such as highways, railroads, and agricultural facilities such as grain elevators and processing plants.

PROTECTING THE PRIVILEGED If the problems of sprawl are not as great as sprawl opponents claim, then what is behind the war on sprawl? Bruegmann shows that most of the complaints against low-density development and the automobile come from elites who are interested in protecting their wealth and privileges. “The history of sprawl suggests that the two factors that seem to track most closely with sprawl have been increasing affluence and political democratization,” Bruegmann writes (p. 109). But “whenever a new class of people has been able to gain some of the privileges once exclusively enjoyed by an entrenched group, the chorus of complaints has suddenly swelled” (p. 116).

Ironically, at the turn of the twentieth century, most urban elites believed that cities were overcrowded and suffered from poor sanitation, rampant disease, and high rates of crime. The best solution, urban planners believed, was to get people out of the cities and into low-density suburbs. “Planners in the early twentieth century advocated urban dispersal,” notes Bruegmann, but “when it really happened on a large scale in the interwar years, they were horrified” (p. 173).

For example, in a statement that would be echoed by Kunstler and other American opponents of the suburbs, an English planner wrote in 1932 that “taste is utterly debased” in the suburbs. “This is the language of evangelism,” Bruegmann observes, “of a man intent on turning back the clock to return to God-given ordering principles.” As Sir Peter Hall records in his history of urban planning, *Cities of Tomorrow*, the main objection to the suburbs was aesthetic: middle- and lower-middle class people refused to build homes in the neo-Georgian or modern styles that the elites demanded.

European planners quickly changed their goals. Instead of trying to disperse urban residents to the suburbs, they now sought to keep the rural countryside “as the preserve of wealth and privilege” (p. 175). After the war, Britain and most other European nations passed laws that discouraged driving, prohibited low-density development, and subsidized transit and high-density housing.

The result, American planners say, is that European cities have become a model for what they would like to see here: people living happily without cars in high densities where they can walk to shops and take transit to work, while the countryside is unblemished by “McMansions” or big-box stores. The reality, Bruegmann shows, is far different. “Polls consistently confirm that most Europeans would prefer to live in

Most of the complaints about “sprawl” come from elites who want to protect their wealth and privileges.

single-family homes on their own piece of land rather than in apartment buildings,” he observes, and increasingly they are doing so (p. 201). Because of this, “by the end of the 1960s,” the planners’ regime “was under attack” (p. 179). In country after country, people revolted against the requirement that they live in concrete high rises and not have a plot of land of their own.

Today, many of the high rises are occupied mainly by immigrants (such as those who recently rioted in France) while natives are increasingly moving to suburbs of single-family homes or duplexes. As a result, American and European cities “seem to be converging” (p. 92), with rapidly growing suburbs and declining central city populations. Just as Manhattan’s population declined by nearly 40 percent between 1910 and 1980, Paris’s inner-city population has declined by as much or more. Meanwhile, European auto ownership growth rates are “strikingly similar” to the United States, “albeit with a delay of several decades” (p. 79). European consumers are enjoying “a proliferation of

large supermarkets, shopping centers, discount centers, and big-box retail outlets” (p. 201).

Despite the failure of centralized land-use planning in Europe, American planners are eager to apply the same ideas here. As in Europe, U.S. support for such plans comes largely from various elites led, Bruegmann says, by “upper-middle-class residents of central cities in the Northeast of the United States” (p. 130).

WAR OF PREFERENCES According to Bruegmann, the rapid postwar growth of American suburbs took place because unprecedented numbers of people “have been able to gain for themselves the benefits once reserved for wealthier citizens. I believe that the most important of these can be defined as privacy, mobility, and choice” (p. 109). Single-family homes offered people privacy, and U.S. homeownership rates grew from less than 44 percent in 1940 to 63 percent in 1970. The automobile offered people mobility, and per-capita driving nearly

tripled between 1940 and 1970. The increased wealth that came partly from increased mobility gave people more choices, and the vast majority chose to drive rather than use public transit and to live in single-family homes rather than multiplexes.

People’s preferences for the mobility provided by the automobile and the privacy of single-family homes are exactly what are under attack in the war on sprawl. Bruegmann dates remedies to sprawl at least as far back as the fifteenth century, when Queen Elizabeth drew what would now be called an urban-growth boundary around London and decreed that no construction could take place around that boundary. French kings soon tried to do the same for Paris. “Like virtually every subsequent effort to halt sprawl, these attempts were largely a failure, and London and Paris continued to expand outward” (p. 169). Though remedies to sprawl fail to stop it, they do impose high costs on the regions where they are applied.

One major cost is congestion, which anti-sprawl planners deliberately

increase in the hope that it will deter a few people from driving. Planners divert highway user fees to expensive but little-used rail transit projects, spend money on what is euphemistically called “traffic calming” (which means putting barriers in roads to reduce traffic flows), and eliminate parking from streets in commercial and residential areas. The resulting traffic deters few drivers but it does impose huge costs on the regions that follow these policies, wasting hundreds of thousands of hours of people’s time and millions of gallons of fuel.

An even bigger cost is the loss of affordable housing. In 1970, many U.S. cities began using a variety of techniques to control growth and sprawl. These include urban-growth boundaries, purchases of greenbelts of open space, limits on the number of building permits that can be issued each year, and other restrictions on development outside of existing urban areas. As Bruegmann describes, in both Europe and the United States these sorts of policies almost immediately led to rapid growth in housing prices. Rather than excite opposition, such price increases create what Canadian planner Michael Poulton calls an “incumbents’ club” of homeowners who benefit from the price increases and therefore support ever-stricter policies (p. 162).

Sprawl opponents often argue that rapidly escalating housing prices prove their policies have made cities so much more livable that people are willing to pay high prices to live in them. In fact, all they prove is that housing demand is inelastic; that is, small restrictions on supply can lead to large increases in price because factors such as jobs, family, and friends play a greater role in determining where people live than housing prices. Nationwide, median housing prices have historically been about twice median family incomes. But in cities that have tried to control growth and sprawl, including Boulder, Colo., San Jose, Calif., and Portland, Ore., housing prices are three to five times greater than family incomes.

While existing homeowners appear to benefit from such price increases, the losers may outnumber the winners. They include landowners at the urban fringe who are not allowed to put their land to the best use, and current and future res-

idents who do not yet own homes but may want to buy them in the future. Even the benefits for existing homeowners may be illusory: they can only take advantage of the wealth effect if they sell their home and move to a community that has not applied growth controls. Moreover, research in both Britain and the United States indicates that growth controls not only increase housing prices, they make them more volatile, as many Californians learned in the early 1990s when housing prices plummeted by 15 to 25 percent.

Bruegmann’s book reviews urban plans in several cities, but he gives the most attention to my hometown of Portland, Ore., which has received an enormous amount of publicity for its comprehensive “smart-growth” plan. Long before the planners gained control, Portland was a beautiful riverfront city in a cool valley surrounded by snowcapped mountain peaks. Bruegmann observes that most of the reporters who visit Portland see the city’s “alluring downtown and surrounding green hillsides” through the eyes of tourists. In contrast, Houston is “set on a low, marshy plain and subject to a climate that is, by estimate, uncomfortably hot and humid for a great deal of the year” (p. 217). Portland is obviously more attractive to tourists, but how much of that attraction is really due to anti-sprawl plans?

The real question is how well these cities work for their residents. Houston has grown faster than Portland, and as Bruegmann observes, “a higher percentage of newcomers to Houston than to Portland have been poor and members of minority groups.” Yet Houston has not only accommodated its new citizens, it has provided them a median family income that is only slightly below Portland’s (p. 218). In contrast, the fastest growing part of Portland is Vancouver, Wash., which Oregon planners cannot control. It is not surprising that housing remains affordable on the north side of the Columbia River.

Like Europeans, Portlanders have revolted against the planners. In the 2004 election, a majority of voters in every county in the Portland area supported a ballot measure requiring state and local governments to compensate any

landowners whose property values were reduced by land-use rules, or to waive those rules for those landowners. This statewide measure received support from more than 60 percent of voters even though opponents argued it would kill Oregon’s anti-sprawl plans. Membership in an incumbents’ club could not overcome the voters’ sense of fairness and justice.

BRUEGMANN CONSIDERED Bruegmann credits libertarian “attacks on anti-sprawl advocacy” with “a significant shift in opinion” on the sprawl issue. Yet Bruegmann himself is not a libertarian. He considers the 1950s Soviet plan for Moscow to be “quite impressive in many ways” because it did “many things well,” at least by providing housing that was better than Moscow residents suffered with in the 1930s. A true free-market advocate would recognize that the free market could have done much better than provide families with identical 600-square-foot apartments in high-rise towers.

Yet Bruegmann’s lack of libertarian views is actually one of the strong points of the book. As a professor in the architecture college at the University of Illinois in Chicago, Bruegmann is a natural member of the groups that typically attack sprawl. Yet his even-handed look at both sides of the many arguments in the sprawl debate reveals anything but a shrill ideologue. Indeed, his reviews of each argument are almost too soft-spoken, filled with “possibly’s” and “could be’s.” No one can accuse him of preconceived notions or a bias in favor of Detroit or suburban home developers.

Nonetheless, at the end of the book, he concludes that the best approach to sprawl is for Americans to make our own choices as individuals, not for government to make those choices for us. “If I shop at a suburban Wal-Mart rather than a downtown department store or choose to live in an apartment near the old downtown rather than in a single-family house on five acres in suburbia,” he writes, “these choices have an effect on urban form. If my choices are echoed by those of many other people, they can have a profound effect” (p. 225). A free market is the truest form of democracy. **R**

Panic Meets Facts

Reviewed by *Richard L. Gordon*

ENERGY AND SECURITY:

Towards a New Foreign Policy Strategy

Edited by Jan H. Kalicki and David L. Goldwyn
604 pp.; Washington, D.C.: Woodrow Wilson
Center Press, 2005

One of the great challenges in compiling a book of independent essays is to ensure that the different authors have some consistency in basic worldview. It is one thing for a book on Shakespeare to include two essays that, say, disagree on whether the Bard wrote *Hamlet*. It is quite another thing if half of the book's essays argue that Shakespeare never wrote the play while the rest describe how his life in Avon contributed to the tale of the melancholy Dane. Such a book would be at war with itself.

That description aptly fits Jan Kalicki and David Goldwyn's *Energy and Security*. It starts and ends with clarion calls for reorienting U.S. foreign policy to emphasize energy. In between are chapters reviewing world energy conditions that provide little evidence of an energy crisis—let alone the need for some grand energy-security policy. The middle chapters describe modest problems requiring, at most, limited public policy responses. They stop well short of validating the alarmist contentions of danger. This failure tacitly proves that, contrary to frequent assertions by many politicians, the “energy security crisis” does not exist.

The book tries to overcome that deficiency by employing an expansive concept of “security.” The notion is defined to include response to temporary disruption, fostering long-run supply development, preventing terrorism, resisting nuclear proliferation, and reducing greenhouse gas emissions. One contributor, former Al Gore national security adviser Leon

Fuerth, goes so far as to stipulate “security” goals of eliminating the budget deficit and the balance-of-payments deficit.

The book's alleged concern is excessive import dependence—a “problem” that was debunked in the 1970s. At that time, the U.S. government task force delegated to analyze President Nixon's call for energy independence found that no sensible way existed to eliminate U.S. energy imports.

The security responses proposed in the book include increasing stockpiles, working to encourage oil-producing states to adopt democratic, open-government reforms, promoting investment in energy development, stimulating conservation, undertaking research on new technologies for processing and utilizing energy, and accepting and going beyond the Kyoto accords on global warming. In short, this is mainly the long-familiar failed interventionist energy agenda that has prevailed for decades.

INSIDE THE BOOK To appreciate the book's problems, consider some of the authors. The book begins with three forewords, one each by James Schlesinger (among other things, the first secretary of energy), Bill Richardson (Clinton's second secretary of energy), and Lee Hamilton (a former congressman and co-chairman of the September 11 investigation commission). The editors (Goldwyn was an aide to Richardson; Kalicki also was in the Clinton administration) provide an introduction, separate summaries at the start of each of the book's six sections, and a conclusion.

The book's first section treats aspects of the world situation. It includes an overview of world energy prospects by Adam Sieminski of Deutsche Bank; a discussion of energy security by Daniel Yergin—the author of the Pulitzer Prize-winning but unsatisfactory oil-industry history *The Prize*; an appraisal of OPEC by

Edward Morse of Hess Energy Trading and Amy Myers Jaffe of the Baker Institute at Rice University; and a discussion of the International Energy Agency by William Martin (a Reagan administration official) and Evan Harrje (an energy consultant).

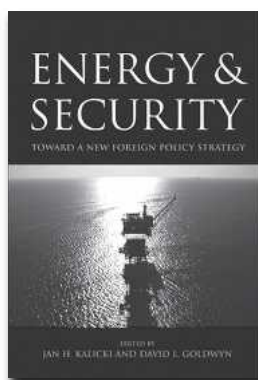
The second part of the book concerns Russia and Eurasia. Julia Nanay, another energy consultant, surveys Russia and the Caspian Sea area; editor Kalicki and Jonathan Elkind (another Clinton-era official) cover “Eurasian Transportation Futures.” Loyola de Palacio, a European Union commissioner, talks of “Reforming the Gas Market.”

The book's third section examines the Middle East and Africa. Robinson West, a former Reagan-administration official, covers Saudi Arabia, Iraq, and the other Gulf states. Gordon Shearer of Hess LNG reviews North Africa and the Mediterranean. Paul Hueper, a U.S. Department of Commerce adviser, handles sub-Saharan Africa.

The book's fourth section includes an essay by Jaffe and Rice colleague Kenneth Medlock III on China and Northeast Asia. John Ryan, an Australian government official, examines the regional approach of the Asia-Pacific Energy Research Center to energy security. Keiichi Yokobori, a Japanese researcher, reports on Japan.

The book's fifth section examines the North Atlantic and the Americas. Will Olsen, formerly of Norway's Statoil, writes on the North Sea; Shirley Neff, a former Senate staff economist, writes on North America; and Luis Téllez Kuenzler, a former Mexican secretary of energy, writes on Latin America.

The book's sixth section allegedly presents “A New Energy Security Strategy.” Even here, support for the book's alleged theme varies from enthusiasm to total neglect. Fuerth leads off by posing a litany of problems for which he offers only broad, platitudinous solutions. Melanie Kenderline and Ernest Moniz's “Technology Development and Energy Security” trots out the usual list of technologies allegedly deserving promotion; both authors are former government officials—Kenderline is with the Institute of



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Gas Technology, Moniz is on the MIT faculty and one of the participants in an MIT report advocating extensive government aid to revive nuclear power. Security serves only as an excuse for intervention.

Charles McPherson of the World Bank presents banally predictable criteria for good governance in oil-producing states and vacuous calls for fostering their realization. Kevin Baumert of the World Resources Institute gives a perfunctory review of “The Challenge of Climate Protection.” Editor Goldwyn and Michelle Billig (another former Clinton administration official now at the Council on Foreign Relations) collaborate on a weak chapter on stockpiling—the familiar calls for more stocks include demands for forcing the private inventories that are discouraged by public holdings and fears of price controls during crises. The section concludes with a radically different effort: a sensible survey of world natural gas prospects by Donald Juckett and Michelle Michot Foss. They rationally discuss the prospects and problems without proposing extensive intervention.

Each part is concluded by comments by another writer. They are Alvaro Silva-Caslerón (ex-secretary-general of OPEC), Viktor Kalyuzhnyy (former Russian minister of fuel and energy), Abdullah bin Hamad Al-Attiyah (Qatar minister of energy and industry), former U.S. Senator Bennett Johnston, Foss, and John P. Holdren (of Harvard University). What stands out about these comments is that while the issues call for analysis by sound thinkers with economic expertise, the editors have opted mostly for commentators with implementation experience.

ANALYSIS The contributions in the earlier sections differ radically in emphasis, tone, and quality. On the whole, the regional-situation chapters were the best efforts; the discussions of IEA and APEC were the least useful. Sieminski’s introductory survey is particularly broad, providing a reasonable overview of prospects in which the editors’ panic is replaced by recognition that, at least tacitly, governments long ago made energy policy commitments. Yergin should have been in the book’s sixth section; wherever placed

he added little. The survey of OPEC is a valuable contribution because it encompasses the underlying economics; the only problem is that the authors do not adequately reconcile their statements about OPEC’s strength with their views of OPEC weaknesses.

Part II provides sensible reviews of its topics with stress on the economics. The chapters of Part III are also useful, though heavier on the politics. West concentrates on whether the Saudi royal family can make changes that will keep it in power and also discusses the political prospects for Iraq. Shearer stresses the economics of North Africa but tosses in an unwise call for loans subsidized by the U.S. government. Hueffer’s treatment of sub-

Most of the contributors were more realistic than the editors or the politicians offering forewords.

Saharan Africa mixes review of the economics with criticism of political corruption. The chapters on China and Japan are, on the whole, useful.

Part V is more problematic. The chapters on the North Sea and Latin America are solid on the economics but dwell excessively on the alleged exemplary history of Statoil, Norway’s state-owned oil company (since 2003, with about 20 percent sold to private investors). Neff’s North America chapter generally provides a good overview of prospects but is marred by its excessive concern with security. Her low point is reached with criticism of the public and the government for failing to react to rising Chinese competition for oil.

This book unfortunately is no novelty. Since the turmoil of the 1970s, parallel universes have prevailed in energy discourse. One, properly associated primarily with M.A. Adelman, stresses that energy fuels are commodities and thus governed by economic principles. This view holds that dependence on oil imports is not radically different from dependence on other imports. What matters is sound economic policy by the United States.

The other type of energy discourse, beloved by politicians and supported by

some political scientists, holds that important political elements must prevail. The “right kind” of relations with oil-producing countries is alleged to be critical for maintenance of energy supplies. This requires the proper attitude toward oil-producing countries. The meaning of this is unclear and often changing. Saudi Arabia is a graphic example: being kind to the Saud family has been U.S. policy at least since F.D.R.’s visit with King Ibn Saud in 1945. Today, some, including the contributors to this volume, would suggest the proper policy is pushing the Saudis and other rulers of oil-producing states to allow a more open society. This largely ignores the disastrous effects of renouncing the then-rulers of Libya and Iran, although one contributor to *Energy and Security* recognized this point. In any case, suggestions of good foreign policy to facilitate oil imports coexist, as is typical, with proposals to lessen use of oil.

For reasons that have never been explained, this sort of political orientation is strongly supported by the George W. Bush administration. The energy study headed by Vice President Chaney was heavy on ill-conceived schemes for affecting world energy developments. Last year, a foundation-funded Commission on National Energy Policy produced a report advocating, without any supporting evidence, similarly interventionist measures; the many pages of background reports proved a mélange of material that led nowhere. The Energy Policy Act of 2005 was largely in this vein, throwing subsidies at every politically correct energy option.

Fortunately, *Energy and Security* transcends these defects because most of the contributors were more realistic than the editors or the politicians contributing the forewords. Thus, what is provided is a collection of largely solid reviews of the situation with leading energy producers and consumers surrounded by overview chapters that bear little relationship to what purportedly is being summarized. Those who agree with the editors thus will be disappointed in the absence of support or useful proposals. Those interested in energy will find the bulk of the book helpful. **R**

Time to Disembark

Reviewed by George C. Leef

END OF THE LINE: The Failure of Amtrak Reform and the Future of America's Passenger Trains

By Joseph Vranich

265 pages; AEI Press, 2004

Whenever I think of Amtrak, I am reminded of the old "Peanuts" cartoons where Lucy is holding the football and trying to entice Charlie Brown to kick it. On every previous occasion, she has pulled the ball away at the last second, leaving poor ol' Charlie Brown flat on his back. But Lucy somehow manages to convince him that *this time* he will get to kick the ball. Of course, she then pulls the ball away again, with the same ignominious results for Charlie Brown.

Substitute Amtrak for Lucy and Congress for Charlie Brown and you have the making of another good cartoon. In the more than 30 years since the formation of Amtrak, the government passenger rail enterprise has lost enormous amounts of money. Every so many years, Congress threatens to put an end to the subsidies that keep it going unless certain reforms are made to make it run efficiently (or less inefficiently, at least). Amtrak promises that it will reform and then will not need any more subsidies. After the "reforms," Amtrak is still hemorrhaging money and returns to Congress, pleading for more money and promising that *this time* things will be different.

In his book *End of the Line*, Joseph Vranich does not think things will ever be different as long as Amtrak exists in anything like its current form. Vranich, who at one time served as Amtrak's public affairs spokesman, knows the inner workings of this monumental boondoggle. His book is a clear-eyed examination of our experiment with a federal passenger rail service and he concludes that

Amtrak is "a form of rolling pork barrel" that should not be saved.

APPEARANCE OF PROGRESS The most salient fact about Amtrak is that it loses huge amounts of money on most of its routes. But closing them is as difficult as closing unneeded military bases because some politicians always want to protect them. In politics, the waste of taxpayer money is nothing compared to the value of crowing about having preserved a route that a small number of constituents occasionally ride. Furthermore, Amtrak's unionized labor force can count on help from politicians who want Big Labor cash in their next campaign. Thus, Amtrak is a classic "public choice" example of concentrated special interests using their political muscle to squeeze money out of the rest of society.

Vranich reveals that Amtrak uses creative accounting and deception so well that Enron's management would be envious. One scandalous but almost laughable instance he recounts is the success of the railroad's political friends in getting Congress, as a part of the 1997 reform legislation, to give it an "income tax refund" of more than \$1 billion. Of course, Amtrak does not pay taxes—it consumes taxes. The "refund" was just another subsidy, but one that Amtrak could characterize as "revenue" in its ongoing campaign to appear to be moving toward profitability.

For Amtrak, it is of crucial importance to create the appearance of progress toward its supposed goal of survival without constant infusions of taxpayer cash. Its lobbyists and political allies can plausibly press for more money only if they can point to progress—however minor or even imaginary—toward cost reduction or revenue growth. I say "supposed" goal because Vranich's book causes one to adopt a very skeptical attitude toward Amtrak's public pronouncements. Its management and workforce are evident-

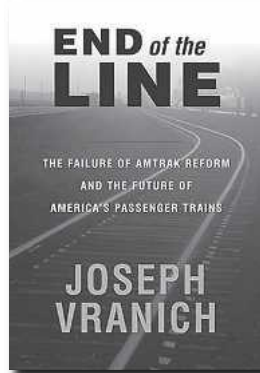
ly content with the status quo wherein Amtrak is kept as a pampered pet of the federal government.

The full cost of Amtrak is not limited just to its losing operations. Vranich points out that Amtrak trains often cause expensive delays to freight trains that are providing real economic value. "A late-running Amtrak train can interfere with a dozen or more freight trains consisting of cars for hundreds of demanding, time-sensitive shippers," he writes. This situation arises because, although 95 percent of Amtrak lines run on tracks owned by private railroads, a federal statute requires that Amtrak not only be allowed to operate on them, but must be given priority.

Much of *End of the Line* is devoted to refuting the myths that Amtrak defenders routinely employ when they need to justify the line's continuing subsidization. For example, Amtrak for years has been saying that once it deploys its high-speed "Acela" trains (that is the current moniker—the railroad has used other names in the past, but changing names obscures the failures),

it will be able to compete with airlines and greatly increase its ridership. Sorry, but the "high speed" train barely improves on the time of riding from New York to Boston that was common 50 years ago. Moreover, Amtrak is notorious for running behind schedule, a fact that busy travelers consider when making their choices. And apropos of its poor ability to run on time, another bit of Amtrak deception Vranich reveals is that it quietly loosened its definition of what it means to be "on time" in 2003 so that it can boast of a 70 percent on-time record.

Another myth that Amtrak tries to cultivate is the notion that the United States needs a national passenger rail network. Amtrak proponents repeatedly say so, but Vranich douses the idea in cold water, writing that there is "no justification whatsoever" for such a network. Passenger trains make economic sense in a few densely populated areas, but for the great American flyover country they do not. Amtrak supporters invariably point to Europe and Japan as models of what the railroad could be, but Vranich answers that Europe and



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Japan are not like the United States. The distances involved in Europe and Japan are much shorter, which makes rail travel more appealing and air travel less so. To the argument that building up Amtrak will reduce airport congestion, Vranich replies that even if Amtrak were running all the lines it proposes, it is doubtful that even one flight would be removed from the aviation system.

ROLLING PORK Politicians in both major parties come in for a well-deserved grilling. Two notables are Tommy Thompson, former Wisconsin governor and current secretary of health and human services, and Sen. John Kerry (D, Mass.), the 2004 Democratic nominee for president.

In 1998, President Bill Clinton appointed Thompson (along with several other politicians) to a “reform board” for Amtrak that was supposed to oversee the “reforms” Congress had called for in its 1997 legislation. Thompson used his position as chairman to get a new line approved, “The Lake Country Limited,” that ran from Chicago to the small southern Wisconsin city of Janesville. The train took 2.5 hours to go the 98 miles. In its first three months of operation, an average of 10 passengers per day rode the line. Amtrak finally discontinued it when word leaked out that NBC News was going to feature “The Lake Country Limited” on one of its “Fleecing of America” segments.

Sen. Kerry’s involvement came about when the Massachusetts Bay Transit Authority (MBTA) announced in 1999 that its contract with Amtrak would be put up for bid. The MBTA was Amtrak’s largest customer, but it was unhappy with Amtrak’s high cost and inefficiency. Three other firms put in bids between \$175 million and \$195 million for a five-year contract; Amtrak’s was \$291 million. The MBTA decided to go with Bay State Transit Services, saving \$116 million.

Amtrak’s loss of the MBTA contract caused labor unions to throw a tantrum. To save the jobs of the Amtrak workers, union officials decided to resort to power politics. Sen. Kerry helped with the dirty work by holding a hearing in which the object was to threaten to overturn the bid process. The Clinton administration quickly piled on with a suggestion that federal funds designated for the MBTA

might be held back unless Amtrak got its contract back. The MBTA caved in under the political pressure and cancelled the Bay State contract, leading to a lawsuit. After more high-cost and incompetent service—notably the death of a passenger when Amtrak personnel refused to stop a train so the stricken man could obtain medical care—Amtrak lost the MBTA contract for good in 2003.

Among his other penetrating arguments, Vranich observes that Amtrak has neglected to perform important safety and anti-terrorist work, and that it continually attempts to prevent the emergence of competition by pricing its tickets at absurdly low levels.

INTERESTS OF POLITICIANS The book is a devastating indictment of Amtrak, but contains a deeper message for readers who want to think beyond the

immediate subject. Vranich does not explicitly make this point, but he has shown why all government enterprises are a bad idea: They inevitably come to serve the interests of politicians and their workers rather than the interests of consumers. Amtrak is a case study in the waste and inefficiency we should always expect from political regulation of government enterprise.

What to do? Vranich regards the outright abolishment of Amtrak as the “perfect answer,” but believes it to be almost politically impossible. The best we can hope for, he writes, is “to separate the future of passenger rail from the future of Amtrak and focus on maximizing public investments through a franchising and devolution process.” That has worked in other countries and could free Americans from this wasteful monstrosity. **R**

Deep in the Heart of Texas

Reviewed by Richard L. Gordon

ELECTRICITY DEREGULATION: Choices and Challenges

Edited by James M. Griffin and Stephen L. Puller
446 pages; Chicago, Ill.: University of Chicago Press, 2005

Over the past several decades, many anthologies on electricity regulation have been undertaken, and they have provided important insights. Typically, the contributors are established writers on the subject who believe that reform short of full deregulation is the most desirable action. *Electricity Deregulation* is the latest example. The contributors include several of the most eminent advocates of the gradualist approach, and the book offers no dissenters in either direction.

This book differs by having new sponsors. James Griffin is a prominent

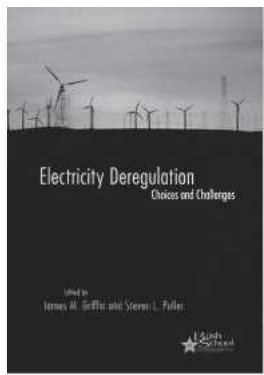
energy economist, previously known for excellent work on petroleum. Stephen Puller is a young economist who works in electricity and energy. The Bush School at Texas A&M was the sponsor of the conference at which the papers contained in the book were presented. The University of Chicago Press is a similar newcomer to publication of such studies. Another unusual feature is that, at the outset, the editors admit that the title is misleading because the book is more about restructuring the electricity market than about deregulating it.

The book is divided into two parts: “Experience and Case Studies in Electricity Restructuring” and “Policies for Successful Market Design.” The first part consists of a long survey of issues by Paul Joskow of MIT and case studies of England and Wales, California, and Texas. Part two covers efficiency improvements in generation, competition policy, oversight, time-varying rates, transmission market design, assuring “generation adequacy,” and observations from “policymakers”—the last prove to be the chairman of the Federal Energy Regulatory Commission (FERC),

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the chairman of the Edison Electric Institute, and a member of the U.S. House of Representatives. The material is preceded by an editors' introduction that first sums up the central issues and then summarizes the rest of the book; the editors return at the end with a wrap-up.

A dilemma in symposium design is to secure seasoned participants while providing something new. This effort does well in attaining such balance. Joskow, along with several other contributors, faces the problem of meeting the book's needs without repeating prior efforts. He provides a helpful treatment



of experience in the 1990s and beyond. His discussion begins with a good summary of the forces inspiring restructuring. This culminates with a sketch of the components of restructuring and a description of the "special" characteristics of electric power. This stress on uniqueness and the associated unwillingness to seek less intrusive ways to deal with the special characteristics are what differentiates the standard views of electric power from calls for true deregulation. Valuable surveys of wholesale and retail restructuring follow. Joskow then turns to issues of long-term resource adequacy with discussion of how best to price electricity. (The material can be usefully supplemented by examining other Joskow writings at web.mit.edu/ceepr/www/.)

The chapters on England and Wales by Richard Green of the University of Hull and on California by Frank Wolak of Stanford nicely cover these much-discussed topics. Wolak presents the post-Enron-collapse vision that the problems of California were aggravated by the substantial market power possessed and utilized by the independent power producers that had purchased the California fossil-fuel plants of the leading California electric companies. The case makes the interesting and clearly valid point that market power was enhanced because caps on retail prices eliminated final-consumer response to rising wholesale prices. Wolak's reasoning that this ensured the existence and use of monopoly power is less evident. The number of participants

and their status as visible, well-known companies inspire doubts about the monopolization charge.

Ross Baldick and Hui Niu of the University of Texas contribute a review of the much less familiar case of market restructuring in Texas (or more accurately, a large part of the state). An independent systems operator was established for the area, producing wholesale but not retail competition. Thus far, the Texas experience is good.

The essays in the second part of the book differ radically from each other. Four of the six academic contributors are with the University of California, Berkeley. Catherine Wolfram provides a good, non-technical review of statistical studies of how restructuring lowered generation costs. James Bushnell presents another statement of concern over the existence and use of market power. Alvin Klevorick of Yale provides some useful but very broad guidelines on how oversight should change with restructuring. Severin Borenstein then presents the gem of the book, a thorough, thoughtful, lucid review of different methods of setting time-varying retail electricity prices. William Hogan of Harvard follows with a good, largely lucid review of transmission market design. (He does introduce some mathematical formulations employing unfamiliar notations, but these can be ignored without losing sense of the main points.) Shmuel Oren nicely discusses ensuring adequate generation capacity, with stress on consideration of alternative pricing methods for producing adequate revenues.

The three contributors from government and industry provide helpful background. FERC chairman Pat Wood is by far the most expansive. The editors' conclusion rounds out the book nicely.

The result is a useful addition to the large and steadily growing literature on electric-power regulation. Since the volume deliberately reports the latest views of regular contributors to the debate, it is more useful to those familiar with prior work. (See my prior reviews at www.regulationmagazine.com.)



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