

Nolan Gray:

Howdy, I'm Nolan Gray, your friendly neighborhood city planner, legislative and research director for California YIMBY, and one of the new co-leads on the Metropolitan Abundance Project. Welcome back to the Abundance podcast. In this episode, I chat with Anthony Breach. Anthony is the associate director of the Center for Cities, the leading think tank dedicated to improving the economies of the UK's largest cities and towns. Of course, that's the United Kingdom, not the University of Kentucky. In this episode, Anthony and I chat about the housing affordability situation in the UK. I'll give you a spoiler, it's not very good. We talk about the British planning system, very unique from a US perspective and really fascinating. And then, we talk about all the exciting reforms that are possible, especially with the new labor government coming in and making housing affordability and YIMBY issues a priority.

As always, a full transcript of this podcast is available on our website, metroabundance.org. You can find us at Metro Abundance on basically every social media platform. And of course like, subscribe, leave a review. It's incredibly helpful. With that, onto the show.

Thanks so much for joining the Abundance podcast.

Anthony Breach:

Yeah, thanks for having me on.

Nolan Gray:

So let's dive right into it. The UK has no housing affordability problems. It's famously very affordable. It's very easy for folks to move to high-productivity cities and get great jobs that more than pay them enough to cover their rent. So what do we even have to talk about today?

Anthony Breach:

Yeah, I mean, it is kind of the opposite of that, really. It's probably one of the worst housing crises in the rich world. So there are a lot of ways you can try and calculate

this and try to get it across, but I did some quick calculations for our American listeners who are going to be listening to this podcast to try and put it into US dollars. So from what I understand, the average median US household income is about \$75,000. Does that sound okay?

Nolan Gray:

Yep.

Anthony Breach:

So in the UK, if you control for cost of living, a PPP conversion, you get a median household income of about \$50,000. The median house price in both the US and the UK is the same. So if you think about a country like the United States, but it's a third poorer than what the United States is, but it has the same house price structure, I think you then get some an immediate idea as to just how bad the affordability situation is in the UK.

Nolan Gray:

And I assume it's a similar situation to the US where there's a lot of spatial variation here. I mean, here in the US we have some parts of the country where there genuinely is a housing shortage that's driving affordability issues and then other parts of the country where the incomes are fairly low, maybe unemployment rate is high, and the housing's relatively affordable, but that's the nexus of the affordability problem. What's the situation like in the UK?

Anthony Breach:

It is very similar to what you've just set out. I think, if anything, it's probably perhaps even a bit sharper than what you've set out. So certainly, if you go to parts of the north of England, so formerly industrial areas, the heart of the Industrial Revolution back in Victorian times, often poorer areas now with much less economic growth, much lower productivity - these are places that still have by international standards quite poor

quality and expensive housing given those characteristics. So somewhere like Burnley, which is a small mining town, a former mining town, has a vacancy rate that is lower than that of Tokyo. So we're not talking here about similar areas that we see in West Virginia or rural parts of Japan that have very, very high vacancy rates.

Even the cheap bits of the UK still have relatively expensive housing, but obviously the problem is really most severe in the southeast of England, London, Brighton, Oxford, Cambridge, really the most dynamic parts of the British economy, where compared to the average worker's income, the average house price is about 15 times or so, that annual salary. So there are really, really huge gaps across the country, but the most dynamic places are harmed the most.

Nolan Gray:

A very good friend of mine lives in London, and she loves it, but the rental situation really is pretty brutal. And I think another aspect of this issue that often gets left out certainly in US conversations is variations in housing quality. So even as bad as the price of the rent, the quality of the unit is often really low in some of our most high-cost areas here in the US, and I'm sure that's a similar factor in the UK.

Anthony Breach:

Yeah, exactly right. And so, even making those American-UK comparisons, from what I was seeing, the average house in the US is about 2,200 square feet or something, relatively large by British standards. Average floor space for a dwelling in England is about 990 square feet, and you're paying the same as for an American dwelling that's twice that size. Purely in terms of consumption of floor space, that means on average people have about 400 square feet per person across all of England. In London, that drops to about 350 square feet per person. But if you then look solely at private renters within London, you're looking at about 270 square feet per renter in London.

So inevitably, especially because we don't change our built environment that much, we have an almost frozen built form in which a lot of our old housing stock and built environment remains intact - that means people live in house shares. You have people living in what we call bedsits, or houses in multiple occupations, living like students

well into their thirties in these dynamic parts of the country unless they can partner up or if they've got an inheritance or if they leave that part of the country.

Nolan Gray:

One of the things that's happening here in the US is, and I appreciate you taking the comparative perspective here -- one of the things that's happening in the US is, in places like coastal California, the housing crisis is so acute, you're having a lot of outward migration to other states and other cities and essentially sort of taking the crisis outside of San Francisco or New York to a lesser extent. I assume something like that's happening in the UK as well. I mean, how national is the crisis? I think this is something that's actually changed in recent years and part of why it's become an issue of some national salience here in the US.

Anthony Breach:

I think to an extent it's always happened since the planning system was introduced after the Second World War. Partly you had this trend initially of suburbanization. People were moving out of the big cities to live in the suburban homes that were being built at that time. So there's that dynamic, which has always been there, but certainly, I think for as long as people have been participating in the housing market, those of us around today, it's all been balanced out by people who can no longer tolerate London then leaving and then immediately being replaced by somebody else.

So if you look at, for instance, measures of household income across the country, you see that before housing costs, obviously places like London, the southeast of England have much higher household incomes than parts of the North of England or Wales or similar places. If you look after housing costs, we have this strange equality across the country in which all of the premiums that you get from moving to these expensive dynamic growing places is gobbled up by these higher housing costs and the impact that has on people's quality of life, especially as their needs change, if they want more space, they want more privacy or cheaper housing for them and their family, inevitably the only choice they have is to move out of these cities and change their career and change where they work.

Nolan Gray:

I think another aspect of this that's really salient now is homeownership. And essentially what you have is many young professionals or maybe lower middle-class households that historically had no problem becoming homeowners now are locked out. Here in the US of course, we have a century or so of policy of trying to essentially get everyone to eventually be homeowners. And I'm curious how tenancy conversations work in the UK and what's sort of the perspective there and the trends.

Anthony Breach:

Yeah, it's very similar. I mean, it's certainly at the very least since the 1980s when we had the Margaret Thatcher government, the conservative government that supported a shift towards homeownership. It's been a consensus across the parties that homeownership is good, supporting homeownership is good, and we've had lots of different demand-side schemes that have tried to make it more affordable, which inevitably have not addressed the actual issue, which is clearly a supply-side one. If you go back to the 1940s, that's really the origins, you start seeing the shift from private renting, which was the norm, into a home for middle-class families.

But I think one thing that's quite different from the United States is that, again, we had a little bit of this before the Second World War, but it really became particularly important after the war, as we had a very, very large State house-building program. So local authorities, councils, local governments, built about half of all houses from the end of the war through to 1980. And that lives on partly because those buildings are still there. People are still living in these dwellings. They'll often have bought them from the council at some point in the 1980s or 1990s. But I think part of the conversation in the UK is really framed around that being an era in which housing conditions improved, housing became affordable for a lot of people. People moved out of private renting into this more secure high quality tenancy. How do we go back to that council house building program that was so successful?

And the problem is, when you look at it, it seems to be that there were quite specific conditions that made that council house building program possible. Also, that private house building was also playing a very important role during this period for improving housing conditions and living standards. But also, finally in the end where we are now, the planning system that we have restricts both market-rate housing, but also social

housing as well. It is a restriction on all kinds of development that makes it difficult to provide either housing directly for low-income people or for middle-income people, or indeed for affluent people who want to build luxury properties for themselves similarly find it difficult to get through the system.

Nolan Gray:

Yeah, in the US the myth says that this was a purely private boom. But I mean, if you know anything about New Deal-era FHA programs, this is a master plan to get a ton of housing built, and we let the private builders build it and sell it to private owners. But this was a big policy initiative, and this was what built many of our neighborhoods. We've talked about, I think, the parallel issues. Everybody's sufficiently depressed, or maybe they have some sick pleasure of knowing that, okay, great, the UK also has all of these housing affordability problems that we have.

Anthony Breach:

That will help cheer everyone up.

Nolan Gray:

Yep, fantastic. So there are a lot of parallels there. I mean, it is actually fairly striking the extent to which these trends are the same. The British planning system is dramatically different from the US. So just high-level, how I would characterize the US system working: States retain the police power. States set up zoning-enabling legislation. Local governments adopt a thing called zoning, where they carve up the city into districts that allow certain land uses and densities. If you follow those rules, you're theoretically entitled to your permit without any discretion, and you start building.

In practice, the US system has had a lot more state involvement over the years. Not a lot, depends on the state, and the system has become slightly more discretionary. So as the zoning rules have become restrictive, more projects need a rezoning or a variance or a text amendment. These are all essentially ways to get relief from the zoning, and that makes them discretionary. There's been variation here. So in a place like California, almost all new development is discretionary, and by that I mean, you're

an expert in this, but discretionary is a wonky term. You might have to undertake an environmental report, multiple public hearings, et cetera.

Anthony Breach:

So case by case, right?

Nolan Gray:

Yeah, exactly. Case by case, and a public actor or a legislative body theoretically has discretion over whether or not they're going to allow the project. But for the most part in the US, development is as of-right. Okay, that's the 10,000-foot view of a topic that I can teach a whole semester on. How does the planning system work top line in the UK?

Anthony Breach:

So again, it's almost kind of upside down to that. I mean, maybe the easiest way to get it across in a sentence is that our system is so restrictive that we think a zoning system would be a big improvement. So it is deliberately discretionary. Right from its very bones, it is designed to be case by case and in the power of local officials to determine pretty much every single building project. Obviously there's some metrics around increased certainty and try to make it a bit easier to build. But fundamentally, unlike a zoning system where theoretically you have this by-right process where you can do what you like as long as you follow the rules, in the UK, even if you follow the rules, you can still be denied a planning permission, and that is intentional.

Nolan Gray:

So let's get into the nitty-gritty here. On what measure are projects theoretically being assessed against, and who are the local decision makers who can decide on whether or not a project receives permissions?

Anthony Breach:

Sure.

Nolan Gray:

Is that the equivalent of permits, I guess, or entitlements in the US?

Anthony Breach:

Yeah, exactly, permit planning permission, same thing. So let's start with a totally generic application and a generic authority. So the key decision-making document that really informs how the process advances is the local plan, and you might immediately think, "Oh, this must be like a zoning map." This is a spatial document that shows where you can build, how much you can build, what you need to build, et cetera. It's really not like that at all. It's more like a 500, 600, 800-page letter to Santa where you've got a list of policies that mandate all the conditions that every new development or most developments must comply with. So sometimes that's things like very specific criteria saying what percentage must be affordable, or every development must have bicycle parking or must have a red door or whatever. Or sometimes it is much more vague concepts, such as every development must be in keeping with neighborhood character, and these typical very judgment-based assessments come into play.

So if you make an application, you've got to try and comply with the local plan. If you very explicitly break a part of it, when you present your application to the planning officers, so the professional planners who sit in the authority, they will just reject it. They will say, "Nope, this doesn't comply with the plan. Go away. Maybe try again if you like," but you'll get some sense in the planners as to whether that is worthwhile or possible.

But even if you do present a proposal that is given to the planners, and because these local plans are so long and so vague, it's impossible really to come up with an objective bulletproof guarantee, this is a hundred percent must-be-approved application. It's in the judgment of the planning officers, they use their discretion, to decide whether or not this is compliant with the local plan, if it's policy compliant, and they might not "grant" it approval, they might "recommend" it for approval because the real granting of planning permission comes at a second stage where it goes to a

committee of local councilors, so elected politicians, who then take a vote on whether the application should proceed or not. So a way you can think about it is, imagine if San Francisco's discretionary design review system was nationwide. And every single planning application, including things really quite small, so similar in some areas like adding a garden shed or genuinely painting your front door a different color, was decided by this discretionary process.

Nolan Gray:

Yeah, I mean, it's totally remarkable. It's not quite so unusual from a California perspective. At least in theory in California, if you follow the rules, you're supposed to get your permits. And frankly, this has been some of the area's most active reform here in California. I think the accessory dwelling units get a lot of attention, some of the parking stuff, because that's, I think, a little bit more approachable for an average person to understand. But honestly, some of the highest value stuff that we've done at California YIMBY has been, okay, projects have to be assessed against objective standards. You have to review an application within so many days. If you deny a project, you have to make written findings. These aren't the sexy things that splash on the pages of New York Times, but they're the nuts and bolts things that could make a project incredibly difficult or easy to get permitted, right?

Anthony Breach:

No, exactly right. And because these local plans were drafted by different local authorities in England, and it's about 300 of these different councils across England, it then gets more complicated when you include Scotland, Wales, Northern Ireland. But just focusing on England, each of these councils is then writing their own local plan that's 300 pages long or so, so it is currently very difficult for a national political movement to shape those policies at scale. Even if you do loads of really great work to make one local authority slightly better or have better processes, that's still leaving 299 local authorities with the same very sticky, very rigid processes.

And there is some national policy that's trying to make it a bit more certain. So there is an expectation in the national planning policy framework which says that, to have a compliance local plan, you must allocate some sites for development. You must allow some areas in which there is a much more certain process of house building and

development. But there's two caveats to that. One is that, if you don't have a local plan at all, and there's actually no policies by which applications can be judged by, then it's purely within the discretion of the local authority because there's nothing to judge it against. So if there's no objective criteria or even semi-objective criteria for developments, then the default is then that the wisdom of local politicians should then get to decide applications. And a lot of the difficulties we've seen in England over the past decade have been councils refusing to agree to local plans because they know that that certainty, even the minimal increase in certainty that would provide, would result in more house building in their area.

But also, to the extent that we do have national policies, a lot of them are actually very negative and very restrictive for house building. So the most infamous example of this is the notorious green belt that exists and surrounds a lot of our urban areas in England. And this isn't a small strip of land of highly protected beautiful nature or countryside. It covers about 13% of the entire landmass of England, so it stretches almost from coast to coast in the north of England, it's about three times the size of London itself around the capital city, and it includes all sorts of land. Sometimes it is beautiful wildlife spots and similar, but it is often just monoculture cropland or even brownfield petrol stations and wasteland and similar. And the intent of this policy is to block pretty much all development. It's very explicit in the objectives that it sets out that it is about restraining the growth of the big cities and blocking house building, and that's national policy.

So even to the extent that there are these problems at the local level at the discretion of the planning system, there's actually this whole kind of superstructure of other issues with how British politics and the British State really think about developments and think about urban areas.

Nolan Gray:

There's a lot there. I mean, I think a couple of things that I think are most striking from a US or maybe even a North American perspective. First is just the large role played by the national government. Here in the US and certainly Canada as well, local planning is almost the exclusive domain of local governments, and it's specifically local cities in unincorporated areas, counties, or some equivalent entity. Could you unpack that a little bit more of the role played by the national government? And maybe as we start to think about reforms too, the typical reform approach for YIMBYs in the US and Canada

has been, okay, let's shift these decisions up to the State or the Province where maybe local NIMBY actors can't set the policy in negative ways. How do you all think about scale over there? And we're slipping into some of the next stuff we'll talk about, which is the reforms.

Anthony Breach:

So I think the strategy is the same in the UK. I think there is a push to move policymaking and rule setting up from the local level to that national level. I think partly that's based on what we see in the US. Having that referee of the system, also in New Zealand, seems to be really important for keeping local governments broadly in line and not having this kind of beggar-thy-neighbor NIMBYism in which the lack of coordination means that councils are always incentivized to block housing.

But I think it's also in the UK, it's partly because we don't have a choice. This is a big difference between the UK and US, as you've highlighted. The UK by the standards of developed large countries around the world is exceptionally centralized. So much policymaking and politics and decision-making only happens within a square mile or so around parliament within London. Whereas I think in the US, about half of all taxes go to the federal government, half of them will go to states and to local governments, in the UK, 95% of taxes go to central governments, to our federal governments, and 5% is at the local level.

So that means not just that local governments are under-resourced and actually can't do many things, they also have quite strange responsibilities, which is kind of a separate question. But also, their incentives to support development are really damaged because if they build more homes in their area, they don't really get any significant growth in their tax base. They can't use that to cut taxes or use that to fund more services. If anything, it's kind of a burden on them that they have to deliver more services to these people without the revenues to really pay for it. So absolutely, I think that partly it's a question of seeing what you guys have been up to in the US, trying to get that national scale across the country, but it's also our political system that requires us to do so.

Nolan Gray:

Another aspect here that's tricky in the US is that local government is incredibly fragmented. So for example, there are 88 different cities in Los Angeles County. All of them have their own zoning, and outside of certain state requirements, there's basically no mandate to actually coordinate that zoning. And I want to actually pick up on something before we move too far away from the discussion. It's funny, I think you were mentioning me joking about this on Twitter where it's like, here in the US all of the conversation is, how do we liberalize zoning and allow for a little bit more flexibility? But there are at least some baseline benefits of having a system that says, "Here are the rules. And if you follow them, you get your permit."

And so, to the extent that the UK is not quite in a situation where that's true, or places like California or other states that have a lot more discretionary systems, to my zoning skeptical listeners, of which I think there are many, this is the frame from which you're starting. And frankly, I think here in the near term, I've made the case that I think we can move beyond zoning, but a significantly more liberal zoning regime, it would be a dramatic improvement and could actually get us to where we need to be to solve the problem.

But back to this issue of scale, this is a really fascinating point that all of the tax revenue that's generated potentially from new development will at least first go off to the central government. And this is one of the arguments for why some states are relatively more pro-growth here in the US. In some states, Texas and Florida for example, local governments generate a lot of property tax revenue, and they get to keep a pretty large share of it. In California, owing to things like Prop 13, new developments will generate a windfall initially, but then over time, the property tax revenue generated by that will fall. And then, even from day one, a big chunk of that will go to state and other actors. And I mean, a fiscal devolution, I think, is a tricky thing. I know that this has been sort of a live debate in the UK for at least the last 50 or so years, but what's within the realm of possibility there?

Anthony Breach:

Yeah, I mean, they say in the UK, a hundred miles is a long distance. I think in the US, a hundred years is a long time by comparison. We've been discussing these issues since Tudor times. So the local finance system was set up by Elizabeth I and went underway its first major reforms, which were negative, again during the Thatcher period in the

1980s. But we certainly have been discussing more autonomy for local finances since then.

If anything, the issue has become particularly acute over the past 5-10 years since we've had a program of austerity, which was again implemented by national governments. National governments actually controlled the budgets of local governments so tightly they could implement large parts of that agenda by cutting local government budgets and controlling how much taxes they could increase on their residents. And we're now in a situation where not just a few, but large amounts of our local government structure are at severe risk of bankruptcy in the next three or four years. And it's not small, poorer councils either. Its large metropolitan boroughs, places like Birmingham or Nottingham, which are really teetering, are already in financial distress, let alone coming towards it.

So part of that is, you're absolutely right that the long-term incentives of local governments have always been quite skeptical of developments and very worried about the potential costs of new arrivals, very sensitive to the votes of existing voters who get no benefits or payoff if development occurs. But in some ways, I think the severe fiscal crisis that councils are currently in is opening up a bit of space for a renewed conversation of fiscal devolution to say that, actually, this entire system we've got is not working at all. How do we create a system in which we reward councils for growing their tax base allowing more development? Now that we're having these conversations as well about reform and YIMBYism within England and the UK, there's definitely some kind of grand bargain coming into focus in which councils are rescued from financial distress, maybe reorganized a little bit to overcome some of the fragmentation that we've also got in England, but in return accepting that the planning system they're going to be using is fundamentally quite different and that the amount of support financially they get from the central government will be reduced and actually they'll be almost set free to grow their tax base and look after their residents in that way.

Nolan Gray:

So I want to talk about reforms here in a second. One last question I have about the national system is I don't think I fully understand the variation among England, Scotland, Wales, and Northern Ireland on planning institutions. Is there any sort of perspective there? As I understand the system's quite a bit different in Scotland, but

how is the system different? Is that reflected at all in different housing affordability outcomes?

Anthony Breach:

I think it's not that different. I think sometimes we have to be careful to be very clear that the English system, the Scottish system, the Welsh system, Northern Irish system are all legally different, which is true. Northern Ireland seems to have more of a zoning-based system. So Northern Ireland is special as it is in many respects, but the three on the island of Great Britain, so that's Wales, Scotland and England, are all very clearly the same family of discretionary planning in their origins and their structure.

One thing that is different between Scotland and Wales and also England is that whereas England has this incredibly fragmented system of local governments that's a total higgledy-piggledy mess, both Scotland and Wales have more rational and consistent single-tier systems of local government. So I try not to get distracted by trying to explain the entire geography of English local government on the podcast, but it basically means that in Scotland and Wales you have one single local authority that deals with all of the spending requirements, deals with all of the money that's coming in, and is also responsible for planning over a given area.

So everything's under one roof basically, and that's not the case in England. That does seem to be linked to higher house building, certainly in Scotland. I think it does seem to be that they get to capture a few more of the financial benefits of development as a result of that. Similar councils that exist in England seem to also have similar behavior, which to me suggests that even separate from the planning reform questions, which are critically important as we're going to get into, sort of the upstream problem is the structure of local government and local finances. And if we can solve that problem, it actually then becomes a lot easier I think to solve the planning reform question in England too.

Nolan Gray:

Another area of variation that I know a little bit about is increasing metropolitan consolidation in London in particular, I was on an educational junket in London and Paris, and in London, the story was partly, "Oh look, here's an extreme version of the

California land use planning system. It's not working very well." But the other story was, "Look at this metropolitan coordination on transportation planning." Transport for London is remarkable by the standards of anything in the US.

Getting back to this issue of local fragmentation of metropolitan LA being dozens of different jurisdictions, is there any move toward more of a sort of metropolitan scale approach of recognizing -- we were talking about this before we started recording, we're both Bertoistas, right? The scale of labor markets and housing markets, that's the scale at which we should be making some of these decisions. Is there any move toward metropolitan governance in the UK?

Anthony Breach:

Yeah, absolutely. So again, going back to the Thatcher period, which is quite an important turning point for a lot of these policy areas. We used to have structures of metropolitan government for the big cities outside of London, but also for London itself. That was dismantled by Thatcher for I think in hindsight it's now universally agreed that it was for quite petty political reasons, like partisan reasons because these were controlled by Labour, the opposition party.

Nolan Gray:

That would never happen in the US.

Anthony Breach:

No, of course not. I'm sure you're much more principled than we are. However, over the past 20 years, when the mayoral structure in London was established, metropolitan government was reestablished, albeit weaker than its previous counterparts, reform of local governments has proceeded in a kind of step-by-step process in the other big cities outside of London on exactly that basis. Kind of creating these metropolitan scale authorities, partnerships legally and any kind of practice between the existing authorities, but with a directly elected mayor from the residents of each of those urban areas, who is sort of in charge of a few responsibilities, normally transport at that

metropolitan scale, but it's also the voice for that area and is kind of a local leader of that space.

Now, that's again coming back to this point about England being so centralized. This is a real novelty for us that when all of our political system is so concentrated in our legislature and the machinations at the very, very top of the political parties, having these people who live and work and do politics in the big cities outside of London has been a big political change for us.

And these offices have been quite popular, regardless of the party politics because offering something different, they're offering a more moderate politics and they're actually dealing with these bread and butter issues that are close to people's lives. The principles behind this are kind of informing other aspects of reform as well.

I think the big challenge for us is extending that model outside of the big cities. So when you get into what we call the Shires, the county areas around these big cities where all the fragmentation is really at its worst and you're getting into really difficult conversations around taking these often Conservative strongholds or indeed urban Labour strongholds surrounded by voters from the opposite party. How you reform those local government structures is the big challenge for this government and for the government after.

Nolan Gray:

That's a tricky issue and as I was reading in preparation a little bit for our conversation, this invention of a mayor as giving sort of a discrete elected official who's sort of governing the city. This is something that I think is on the minds of a lot of folks thinking about this here in the US is, we have metropolitan planning organizations that cover the metro area of cities, but they're all appointed from local governments. And I think your average American probably is totally unaware that that MPO level of government even exists.

But if you did have an elected executive, then it starts to become, okay, there is actually this entity, this person matters even within cities. Our cities are perhaps somewhat unique in that they are fairly large and they get to keep a lot of the revenue that they generate.

But in many cities, you have a weak mayor system where you sort of have a rule by committee in a city council and then a mayor who mitigates cases explicitly just a ceremonial position. But even in cases where they theoretically have some power, they're totally dependent on the council for budget and review of appointments and other things of this nature. So you don't really get a governing structure that would be reflected in any entity that actually works, which is like a discrete executive with a council operating as sort of an advisory council or a board.

Anthony Breach:

Yeah, I think it's also the same in the UK and partly you can see this in that the new structures that have been created are broadly weaker than the institutions that were created before Thatcher and demolished by her.

I think one important difference, again between the UK and the US, and this is that local government in England isn't really an expression of self-government or kind of sovereignty. There isn't that same kind of federal principle behind it.

Local governments in England are a creation of a central government. Local authorities are corporations created by the Crown, and if the Crown decides, "We don't like you anymore, we're going to change your borders, we'll roll you up or do something else or impose conditions upon you that to exist you must do x, y and z," there's very little local authorities can do about it except protest and go about opposition in an explicit way.

So in some respects that's easier for us and our system of, well, the parliamentary government in which parliament is sovereign. We're not bound by a codified constitution that says you can do this or you can't do this, which gives us a lot of latitude when politicians want to move quite quickly and move quite boldly on some of these tough questions.

Nolan Gray:

It's almost a perfect comparison too. And it's funny because I'm doing some comparative work for my PhD work and you go into it and you're like, the US and the UK, they're pretty similar on a whole bunch of margins. And then you're like among

countries that are far, far, far more different from the US, they have much more similar planning systems.

But the constitutional framework, even from the beginning, right? Americans are very proud of the written constitution and I think rightly so on some margins. And then the flip side is the British system is, "Oh, it's great that this is all emergent and don't tinker with it too much, and the rules are ambiguous." It's almost like the perfectly reflected pathologies on both ends of the American being like, "Well, come on. It's written there. Don't change it. Don't touch it," right?

Anthony Breach:

No, exactly. And I think it starts to become a bit more kind of codified in recent years. You are seeing some areas in which restrictions have been placed on the executive and state power, but often that's things like judicial review, it's consultations. A lot of these are often not particularly democratic forms of restraining state power or the wills of the majority, but also structures that, in themselves, are also discretionary and ambiguous. There's no kind of clear set of responsibilities that are local or metropolitan and those that are national.

Instead, whenever the government attempts to do something, whether that is building an apartment building or reshaping the local government structure across the nation, it becomes where it's deliberately been made difficult and hard to do so. Not from an explicit constitutional perspective, but because there was now this expectation, these assumptions, these conventions that have emerged over the past 30 or 40 years that make it difficult to act.

So it's kind of the worst of both worlds, right? We've got some of the stickiness of your regime, but with all the muddiness of our usual mess.

Nolan Gray:

Sticky and muddy, well, you're really selling the system, man.

Anthony Breach:

Yeah. I wonder how anything gets built in this country sometimes.

Nolan Gray:

I feel the same way about California sometimes. I think this is a lot of new material and it might be somewhat complex, so let me read back to you what I understand sort of the state to be. There's a significant housing shortage, especially in the highest opportunity areas of the country. Local decisions are almost entirely discretionary. There are no clear rules making it somewhat hard to build. These are guided local plans. The national government does play an unusually large role, but this is at least as often making it harder to build as it is easier to build. And local governments might not necessarily always have strong fiscal incentives to allow any additional housing. Is that top line, is there anything you would add or correct there?

Anthony Breach:

No. Yeah, that sounds right to me. I think there's maybe some stuff we might get into on what are the beliefs and assumptions of some of the people involved in this, but purely mechanically how the system works or doesn't work, that is it.

Nolan Gray:

So it's obvious to me how you fix it. Throw a few ideas at you here, why doesn't the national government just come in and say, "All right guys, all these local governments, you're creatures of the state, you need to build a lot more housing. Here's a clear planning mandate. We're withholding funds if you don't build housing."

Anthony Breach:

So I think part of it comes -- that's the politics of house building and planning, both from a purely coalitional party politics level, but I think also from an intellectual and prioritization point as well.

So just to give you a bit of a quick overview of the political landscape on house building over the past 30 or 40 years. You have the three major parties: the Conservatives who are the right-wing party, right of center, the Labour Party who are the left of center party, and then you've got the Liberal Democrats who are sort of a centrist party who sit in the middle.

Now, traditionally the Conservative Party or the existing coalition tends to be more affluent homeowners. Tends to be older voters, even in suburbia or in exurbia, often rural areas, often in places that perhaps have a bit of antipathy towards the idea of being linked in with urban areas and developments.

Traditionally, a lot of their membership, a lot of their voting base, a lot of their parliamentarians have had NIMBY tendencies. Now that's not the case universally. There's definitely a small minority of conservatives who embrace the ideas of the YIMBYism and planning reform who want to see deregulation, who want to see the private sector come in and build more. But they've struggled to win the argument internally, even if they did make some progress under the last government.

In the Labour Party, they're traditionally the urban party, might tradition, the party of the working class. I think in general, I think I would say that on average probably the most pro-development of the three at the local level, there's definitely evidence suggesting that, but as a party it's culturally much more interested in council house building, in social house building, particularly in urban areas. And that's partly due to the fact that when all this council housing was built, it was built by Labour councils during this period.

But I think there's a bit of an ambiguous relationship with the planning system in that it was introduced in the first major reforming Labour government after the Second World War by the Attlee government that also introduced things like the NHS, the education system and similar other things that are seen as landmark achievements. And planning sort of sits awkwardly in that it feels like it should be considered as one of those great Labour achievements, but no one is particularly satisfied with the system that we have.

Alongside that, there's the Liberal Democrats who are kind of traditionally I think seen as quite an opportunist party and they try to pick votes off both Labour and the Conservatives, but that means they tend to be, obviously historically have been, an especially NIMBY party, they will go and say oppose housebuilding or they're perceived to say anything that's anti housebuilding that would get them votes in any area.

Again, it's a bit like the Conservatives. There's a minority of Liberal Democrats who feel very strongly about liberal ideas about freedom, about property, but certainly historically the Liberal Democrats have been a thorn in the side of any local authority that's wanted to build more and build more stuff.

So that was sort of set in stone for the past 30, 40 years or so in terms of the landscape of house building. You've got these attitudes around house building and developments that sit in a political system in that way, you've then got this kind of sense that the planning system is very complicated, it's very dry, it's very boring. If we touch it, we're going to annoy loads of people. It might not even work. We don't really know what we want to do, let's just leave it. Maybe we'll do a few tweaks here and there, but ultimately let's just leave it alone.

Nolan Gray:

Sounds so familiar.

Anthony Breach:

Right, exactly. I think this characterizes a lot of stuff internationally, not just in the UK. I would say though that over the past, I would say even 5 years, things have changed quite dramatically and planning reform has gone from being a sort of no-hopper fringe idea that was kind of politically untouchable to being the center, almost the load-bearing thing in the new government's national economic strategy. It's gone from being something very undesirable to being something which is almost implicitly, "Well, duh, we have to do that." And I think there are a few reasons behind that, but I think that a lot of them will be pretty similar to your experience in California.

Nolan Gray:

Let's get into the menu of options here. I think as we were suggesting, the typical path in the US or in Canada has been to ship these up to the state or the province. I think you've actually written some interesting work that's actually shifted my thinking on this of expanding or aligning local incentives around allowing additional housing. Do you want to unpack maybe what exactly that would look like?

Anthony Breach:

Yeah, sure. So I think it's important to understand what the previous government, the very recent history of planning reform is in England because that sets the stage for what we have tried and what we haven't tried.

But back in 2020, so during the middle of COVID, the Conservative government under Boris Johnson proposed tearing up the entire planning system and replacing it with what they called a zoning system. And this zoning system was really quite radical by international standards, but it basically proposed three different zones, one which would be protected, which would still be discretionary, one which would be renewal, where you could build what you like so long as it complied with design codes and a growth zone where you could build whatever you liked, kind of no restrictions on it whatsoever.

Now, this is a big liberalization, that would probably take us from the bottom of the table right to the top of the table.

But planning reform back then was still this kind of unthinkable idea that no one had really heard of and was still quite esoteric to a lot of people. Like, set a cat among the pigeons, right? Everyone got very excited and very upset and, both in the Labour Party and also in the Conservative Party as well.

However, once the dust had settled and the Conservative rebellion against it had ceased, Labour then observed this. And I notice two things. One is that this was an issue that split the Conservative Party but wasn't really that controversial among Labour. So I think they felt comfortable taking it and then moving forward with planning reform in some guise.

But the other was this awareness that, "Oh, actually if we get into governments, this is actually going to be a big problem for us. And not only that, but if we can then use planning reform to get more houses built, get more investment going, actually that could be quite an important part of our economic strategy."

So rhetorically, there was already this shift underway as well as that, we then had younger activists, younger people, younger campaigners who have been experiencing the housing crisis in a much similar way to in California, if not a much worse one, and

have developed this kind of generational consensus that the planning system is a problem and that we need more homes built.

And if you speak to a young Labour activist, a young Lib Dem activist, a young Conservative activist, there is this shared view that the planning system is a problem and needs to change. And obviously these young politicians and young activists are speaking to members of parliament or senior politicians about even just their daily lives and the problems they're experiencing in the rental market. And that has had an effect.

So, basically what that means in summary is that the politics has almost moved faster than the policy in terms of planning reform and that there's now this kind of consensus that the planning system has to change and the current system is not very good, but I think there's not really a consensus on what exactly that looks like yet.

So, obviously we had a new government come in in July. It's trying to make a difference as quickly as possible as all new governments do. But what we've seen so far has been primarily the unwinding of some NIMBY reforms that the previous government did and the slight loosening of the green belt. And that has been put out for consultation, and that is currently under discussion.

Currently, people are raising the idea, and this is probably going to become government policy, as to whether we introduce what we call "New Towns." So special powers for the central government to acquire land at agricultural prices or close to agricultural prices and use that to do a State-led house building program that will almost certainly become part of state policy.

But a lot of these questions which we've been talking about in terms of discretion, in terms of fragmentation, in terms of local finance incentives. These have not really risen to the top of the agenda yet.

And part is because I think that they've still got some stuff that they're working through from their initial wishlist, but I think there's still a bit of uncertainty in the political debate as to how far we want to go. Part of the issue being that the Boris Johnson government's zoning reforms, proposed zoning reforms, now mean that zoning sounds like a very scary idea to a lot of people, it sounds like a very radical deregulatory shift in which people can do whatever they like. And ultimately I think in California, we just have to go step by step. So we have to take people with us, we have to persuade them and convince people that this is not crazy. This is simply doing what other people in the rest of the world are doing. This is having these benefits. We can still have rules, we

can still have protections, but it is taking that more gentle approach, I think is what's happening. But that's still, nevertheless takes time.

Nolan Gray:

Endlessly amusing to me that this is the liberal dream, the liberalizing dream. But yeah, you look abroad and this is how functional planning systems work across the country or across the world, Japan, France, in certain parts of the US, you set clear rules that the project meets the standards, it gets its permit.

I think something we didn't fully discuss here, but a major issue with discretion in California and in many other contexts, Chicago, large cities that have discretionary systems is, it just politicizes every single new development and it creates this almost irresistible pull of corruption too, which is a lingering challenge.

I think it's interesting, I've been doing research on this, and in the '60s and '70s, as discretionary mechanisms first started to be adopted in the US, you get this boom in land use entitlement-related corruption, and there's this great DOJ report that has a weird kind of mixed metaphor illustration of a bald eagle caught in a spider web. Somebody was taking a very lazy artistic license, and we've kind of forgotten about that, but there's still a very lively issue which is just sort of all the spinoff issues of a super discretionary system.

I want to unpack the different elements here. So with the UK system, part of the problem is simply not building enough in existing urban areas, and I think that's an issue super salient with YIMBY. What are the actual mechanisms to get more house building in a place like a built-up city like London or Liverpool or Manchester? Certainly from the American eyes whereas you say, anything older than a hundred years is incredibly impressive. Here in California, anything older than 50 years has to automatically undergo historic preservation review. So if you are redeveloping a, I'm not kidding, like a 1940s or 1950s strip mall or house, you have to undergo perfunctory historic preservation review in many jurisdictions.

But this infill problem, it actually is, I think objectively a little bit trickier in some of these incredibly old cities that actually do have a historic stock. Come on, we can't be destroying our beautiful built heritage. How are we going to build more housing in existing cities?

Anthony Breach:

Yeah. Oh my God. Yeah. It's one of, you think grass is always greener on the other side, right? We've got enormous amounts of that '50s and '60s crud all over our cities. We've got crud going back 300 years, 400 years. The idea that you would protect some strip mall in the same way you would like some kind of Tudor or Stuart church just boggles the minds. Our heritage people would love it. They would jump at the chance to get those powers. So we mustn't tell them.

So, going back to the fundamentals of the system. So we have both the discretionary system that prevents building up within urban areas, but we also have the green belt that prevents building out. So our cities really experienced this policy of urban containment that makes it very, very difficult to build.

Just as you've said, it's extremely politicized. Development only happens in the places where it is least unacceptable. So sometimes that is greenfield estates in the middle of nowhere. Sometimes that is abandoned wastelands. Sometimes that is a place next to train stations. Sometimes that is council estates in which there's lots of social housing and which there needs to be investment. But I think quite a lot of that politically acceptable stuff is already happening. And if you are serious about permanently increasing house building in the UK, you need to solve both the out problem and also the up problem at scale.

In terms of what is easier to do, I think that because the green belt policy exists within the current system, I would start there first. So thinking about ways of strategic green belt release in which you say, actually we're going to legalize this area. Development is going to become possible in these areas, which implicitly is actually an allocation. You're saying, well, if it's now legal and you have to meet some kind of housing target, really you have to be releasing, building on these specific plots of land.

And Center for Cities, which is where I work, we've done some analysis that shows that you could build about two million houses, which is about a 9, 8% increase in total housing stock on less than 2% of the green belt around railway stations. So that's something you could do inside the existing system that we have. It's kind of a small-inch reform that would have a big impact.

Nolan Gray:

Just to pick up on that, I think that's very important, right? I think this is a lively issue in the US, and most US cities do not have anything like an urban growth boundary. I'm from Lexington, Kentucky, which actually had the first growth boundary adopted in the US in 1953. I actually feel somewhat comfortable in UK planning discourse because when I was coming up, all of the planning and housing discourse in Lexington was about whether we should expand the urban growth boundary or not, right?

And so far the compromise had been incremental expansions outward, but now it's sort of set in and there's all this leapfrog growth that happens, which I think is sort of an underrated cost that if you don't expand this, you're going to get leapfrog growth over the growth boundary and then tons of people commuting in, in some cases having to drive, which has a whole set of other environmental issues.

But something you mentioned there, which is we think of green belt, and we might be thinking of natural areas, but as you mentioned, in many cases these places have rail stations, potentially commuter rail into major job centers that are off limits for housing development. I think that would be very bizarre even to some of the more favorable to infill YIMBYs. I think they would look at that and say, "Okay, come on. Surely we can build around rail stations in some of these areas," right?

Anthony Breach:

Yeah, absolutely. I mean, it's not even just commuter rail stations. Some of the underground network that if you visit London on your holidays, if you look on the map when you're on one of these trains hurtling underneath the Thames, if you go out all the way to the line at the end of the line, you'll get off and you'll be surrounded by fields and cows and pigs and similar, and that's part of the green belt. You legally cannot build there. And the council there very zealously maintains that, and that's just accepted. The idea of building in that sort of location is still considered extremely controversial, especially at a local level, but also at a national level as well.

And we also see exactly that same phenomenon of leapfrogging, right? A lot of development happens way beyond the outskirts of London's green belt, but people are still within the orbit of London's economy and having nightmarishly long commutes either by train or by car to access the opportunity and wages that London offers, but

have to make huge sacrifices to do that because we don't allow them to live where they work.

Nolan Gray:

Another issue we were getting at here that I think is really, really interesting is this idea of New Cities. There's an incredible tradition of this in the UK, and I suppose we've kind of done it in the US, but we don't really think of it that way. What are the opportunities there, right? I mean, I'll say from the outside looking in, we built lots of new cities historically. We don't even think of them as new cities when they're successful. When they fail, we're like, "Look at new cities. That was a disaster."

The best case scenario is this is a new city within an existing metro area that creates lots of new housing potentially in a place that doesn't involve any displacement or massive disruption. Worst case scenario, you're putting a bunch of people in the middle of nowhere where nobody wants to live and you're saying, "Look, we created 10,000 housing units." And it's like, well, it's not just how much you build, but where you build. What do you think about this idea of new cities, which seems to be newly salient again in the UK?

Anthony Breach:

Yeah, it's a great question. So I think part of the way to think about it is you can distinguish between the price signals and the economic signals of the economy in that if you look purely at price signals, you see housing is very expensive in the southeast of England, around London. You might think, "Great, put up some new towns, new settlements, job done, easy-peasy," for exactly the reasons you've set out. Less NIMBYism, all State-led, all very sensible and straightforward.

If you look at the economic signals, which is taking a broader measure of what the national economy is telling you and about how especially local economies are functioning, one aspect of the British economy that is quite unusual is that while in other developed countries, the big cities outside the capital, the second, third, fourth, fifth, sixth, largest cities are either all or mostly more productive than the national average. That isn't the case in the UK. All our big cities, places like Manchester,

Liverpool, Sheffield, Newcastle, Birmingham, Glasgow, all of these places are less productive than the national average.

So there is something fundamentally wrong about our big cities. That means they're underperforming. They're not leading the national economy. They're a drag on it. And I think as an implication of that, you certainly need to think about, well, would an additional small urban settlement or lots of them, would that be good for the UK's economic geography? Probably not, right? Actually, the real problem of our economic geography is that our big cities are punching below their weight, and that then becomes a bit clearer I think.

If you go back into the origins of the planning system, like why we have this bizarre setup in the first place and the beliefs of the planners who set this up, which is that the planning system was designed from the beginning to constrain the growth of the big cities, it was designed to implement urban containment and part of that was a deliberate policy of depopulating the big cities to create people or to populate these new towns that were being established by those same planners who believed in this vision of a de-urbanized small town England that was created by these planners.

That's not to say that the new town settlements, an urban extension of London or Cambridge would be a bad thing, but this idea which you sometimes see of entirely autonomous new kind of Sim City-style greenfield extensions I think would be a mistake in the UK, and I think there was an awareness in the UK debate about the cost of that.

Nolan Gray:

I want to put a finer point on something you said there, which I learned from you and it's still surprising me to this day. I mean, the explicit policy of a lot of post-war planning in the UK was "we want to suppress cities," right? I think in the US you could say there was a lot of anti-urban policy, there was a lot of support for suburbanization, but I don't think there was ever an intentional attempt, or a conscious policy of, "We want the city to be significantly smaller." I mean, there's some of this in certainly some of the down-zonings that happen. There are parallels. But talk a little bit more about this and the legacy of that. I mean, what is actually the path out of that into having many more highly productive centers across the UK?

Anthony Breach:

So I think the original sin of the English planning system is that the people who created it were fixated on these ideas of urban containment. And you can see this if you go back into the origin, the documents that set us out most clearly, which was written in 1940, so at the height of the second World War, actually the height of the blitz when bombs were falling on London, probably the worst time in the entire 20th century to be living in a big city in the UK, and the report's called the Barlow Report by Mr. Barlow. It's formally called the Royal Commission on the Distribution of the Industrial Population. It's a nice kind of fancy and formal title.

And in summary, it was really worried about three things. So one of them is regional inequality. So it's because we industrialized first, we had the First Industrial Revolution with tech dials and heavy industry back in the late 18th century, we then began to de-industrialize first. So a lot of those kinds of low-value manufacturing activities begin to move abroad. That starts to harm the urban economies of the north of England and Scotland and similar places. And there was a push in the decades prior to begin helping these places not really that successfully.

It's also worried about the growth of the big cities in and of themselves. So there is this idea that cities are inherently bad and that's partly due to the record of those same industrial cities, the public health problems of squalor, of poor urban amenities, of inequality. These are all things that I think are worse in England than in similar big cities that industrialized later and have access to better technology when they build their cities, but these are quite large in the minds of these planners and politicians.

But also there's this awareness that they do need to build housing, but they are either NIMBYs themselves or they're increasingly worried about the prospects of NIMBYism as a barrier to house building, and there are three solutions to this, kind of strangely elegant and internally consistent, but actually in practice fail on contact with reality. So one of them is discretionary permits to control where factories can locate. So as you have this shift from heavy industry to light industry in the middle of the 20th century, there's this idea that, well, if we stop factories locating in London and around London, we can force that industry to move to those parts of the country that are deindustrializing and we can save jobs in those parts of the country.

Second is we can build new housing in these garden cities, in these new towns. We can have small self-contained settlements that have someone's light industry, which

we're moving there through this discretionary permit system, and ensure that they are completely disconnected from all the evils and horrors that you see in big urban areas.

And finally, there is this idea of urban containment, so it's a ban on building outwards from the big cities using the green belt, but also a policy designed to depopulate them. So people are explicitly moved out and encouraged to move out from the big cities to these new urban areas.

And there are other aspects of this as well. So the development industry was intended to be nationalized to implement this control by the government. All building would happen from the state. And this was broadly accepted by politicians both on the Labour side and also on the Conservative side as well. And the strange thing about this model is that it works for a short time, right? Back when Britain still had a light industrial model, the pieces of this kind flowed together. It has costs, but they may be not initially apparent, but houses are built, people's housing conditions do improve. There is this suburbanization that occurs.

But during the 1970s and '80s, once full off deindustrialization kicks in, that remaining manufacturing falls over and disappears and is no longer a source of mass employment and we get this shift in economic geography back to the big cities to highly knowledge intensive service industries that the UK has always had a competitive advantage in. Those restrictions then become extraordinarily costly for not just housing in general and for people's preferences, but for the national economy and for national productivity.

Nolan Gray:

A lot to unpack there. I mean, I think another thing that's happening around this period too that's somewhat shocking from an American perspective is total nationalization of development rights. So in 1947, you essentially say, the government's saying, "Okay, we are now expropriating the right to essentially do anything with your property." Here in the US, of course there's tons and tons of concessions to it, but at least in the Bill of Rights, there is at least some guarantee of you retain property and if the government really goes too far to take away your rights to use it as you like without hurting your neighbors, they're entitled to pay you, right? The whole takings doctrine and all of this.

But that's a very striking aspect of the British system, and I worry that some people would look at that and say, "Oh, cool, great, expropriate development rights and then build lots and lots of stuff," and that's not happened. In fact, quite the opposite.

Anthony Breach:

Yep, exactly. Our system used to be like what you described. We had a formal zoning system before 1947, before the Town and Country Planning Act that did as you described, that if limitations were imposed, you had to pay compensation to mitigate that. But no, exactly, it was basically all expropriated in the 1940s to the extent where development as defined in law can proceed without a planning permission, it is legally referred to as permitted development, right? The state has graciously granted back to you the rights to develop your own property. You are allowed to do that without asking questions.

Nolan Gray:

Well, and the UK seems to be fairly advanced too down this I think unhealthy line that California has also, this whole concept of value capture, of, okay, if we allow any new development that increases land values, we have to recapture that with all these fees and mandates. And my advisor here at UCLA, Mike Manuel, has written a paper questioning this, saying there's an inherent public benefit to just having a lot of housing being built. So to the extent that people receive some land value appreciation and earn some windfall profits from this, this is not unambiguously bad.

Now, I think we're both Georgists in the sense of unearned land value appreciation is a pretty darn good thing to tax, right, and it aligns the incentives, but having all of this value capture is basically just saying, "Okay, we're going to take away as much incentive for you to actually intensively use your land in socially productive ways as possible," right?

So here in California we say, "Oh, well if we're going to allow you to build 200 homes, I mean that's going to be devastating," traffic and public services and infrastructure. Well, yes, nevermind that 200 households are going to get a home. That's all well and good and you're going to make a lot of money, the developer, off of this, so we need a value cap. Essentially what you're doing is telling that developer, "Hey, just keep that

as a strip mall. Just keep that bungalow as it is. Don't add tons and tons of housing for more people." But I mean, the UK I think really pioneers a lot of these ideas.

Anthony Breach:

Absolutely. And I think this might be a controversial thing to say in the podcast, but you can sort of think of England's planning system as dark Georgism, right? A lot of these planners are really influenced very strongly by Georgist ideas, I think perhaps for good reason, I think for the reasons that you've set out and shared, but it sort of becomes so focused on capturing every last drop of it that as you've said, it kills the incentive to develop. And that's still a bit of a problem today.

Part of that is because of the shortage of housing that has resulted, right, and just to put it in perspective, we've calculated that about 4.3 million houses are missing from the UK housing market, which is about a 15% gap in the total housing stock compared to the average European country. So this is an enormous shortfall and deficit, and if you have land that is undeveloped and that doesn't have a planning permission, it's literally only worth it to put sheep or goats or some cows on it.

So the land value uplift you get from giving planning permission to a greenfield site is enormous, right? It can take you from 10,000 pounds a hectare to well over a million, and because of the size of that wedge, there is now a lot of discussion and debate about how we tax that wedge, right? How do we claw as much back out of it as possible? And even if there is the classic Georgist case, which is at least some of that increment should be taxed and captured, the fact that the debate in the UK misses often that that gap is so big because that's the cost to society of imposing those regulations on that land when it's so close to existing infrastructure, when it's so close to existing urban areas and when fundamentally houses are so expensive so closely nearby.

Nolan Gray:

Well, and one of the things we know from the US experience is, if you massively up zone a handful of properties, yeah, there's going to be dramatic increases in land prices, but if you actually do a broad scale liberalization and say, okay, in the entire city or the entire metro area, it's just going to get a little bit easier to build, there's going to

be a little bit more development potential, you actually don't see that realized in significantly higher land values, right?

So for example, one of my former colleagues, Emily Hamilton, studied when Houston lowered their minimum lot sizes citywide, there actually wasn't a dramatic run-up in land prices, even though you were in many cases tripling or quadrupling the number of homes you could put on a typical 5,000 square foot lot because the effect was across the entire city, and there was just no way that the market could absorb all of that new development potential, whereas the other way that we do this is we say, "Okay, well, we're going to identify corridors, we're going to allow for more development potential," and then land values increase, right, and then we're all surprised about this, and then we have all this discourse about how we need to value capture better. And it's like, well, that's almost just an inherently more toxic way to approach development, but I think it's the trap that we've fallen into in the UK and the US.

Anthony Breach:

Yeah, exactly. I think this is why the question of scale is so important, right? That's an advantage of moving up to the national level in which you can start affecting these broad changes across the entire national market or indeed in California, the entire Californian market, partly because then you avoid these really silly debates about, "Oh, this single plot of land became 100 times more expensive. That's really unfair." If everything is changing all at once, you can sort of do it almost like a rotation in which everybody changes places, but everyone still has a chair at the end of the movement.

Nolan Gray:

A couple other ideas I want to throw your way. Something you see a lot in the literature on the Anglo-American planning and urbanism traditions, "Oh, these are cultures that just don't like cities," right? So romanticizing the Shire, right, UK or sort of Jeffersonian yeoman farmers in the US, right? "Oh, this whole group of people, they don't really like cities." You run the Center for Cities. Do you buy that? Is there just an anti-urban impulse that's inherent to the Anglo-Saxon heart and it's just unsolvable, or I assume you would quibble with that?

Anthony Breach:

Well, I think actually, I think there was perhaps something to it. I mean, it's certainly been a powerful force in British politics, anti-urban sentiment as we've just been discussing. I don't think it's natural for many politicians to think about the benefits that cities provide in the UK. For a long time in the 20th century, there were fortuitous problems and in many respects still are, but I think the real question is how much of that is an elite phenomenon and how much of that is a mass strange set of preferences that Anglo-Saxons have and other people don't have?

The reality is that cities are just as important in Anglo-Saxon countries as they are in other developed countries around the world. It may be the case that ours perhaps have slightly worse urban amenities, right, or perhaps slightly worse congestion problems or even that we have from the common law system just more discretion built into our planning and decision-making processes that make it harder to affect good urban outcomes.

I think those are all possible, but I think this idea that Anglo-Saxon's common law, Anglo-English speakers inherently can't be saved, right, that we need a solution for them that is ignore cities in some way, whether that's new towns or whether that's endless Texan style sprawl out in parts of the country. I think closing off solutions that allow for cities to become better and allowing for better density, better urban amenities without even considering or trying to get there I think is a mistake. If only for the fact that it seems if you do go abroad, if you travel to other cities around the world, the fact often their cities are really nice, so maybe even better than what we've got, I think shows that we don't have to try that hard to make where we live and where we work just a little bit better.

Nolan Gray:

Yeah. I wonder to what extent, right, you mentioned this earlier, UK is first to industrialize. Cities really do become kind of bleak there for a 100-year period. I mean, unbelievably productive, right, but certainly the types of places where it's like as soon as you have the resources, you're going to want to get out.

I mean, also the UK and the US as well were early leaders on transportation technologies that facilitate urbanization. So now we talk about sprawl, we talk about cars, right, but version one of sprawl was omnibuses and rail cars and early rail

networks that were most fully realized in places like the UK and the east coast of the United States, right?

I think another aspect of this too, and I think this is true in the context mainly of the US, Canada, Australia, and New Zealand, is there's just a lot of land, right? So there's just a lot of cheap land at least until the last 50 or so years, where it's like cities could just resolve all of their housing issues by growing outward, and there sort of was this outward pool that maybe didn't exist in other countries in the UK potentially as a matter of regulatory fiat, right, of the green belt's been imposed, cities cannot grow out.

But I suspect that's part of it in the US. I think it's totally overstated. I mean, to a certain extent, all of these countries produce amazing cities that are some of the best in the world and certainly revealed by consumer preferences, these are all some of the most expensive cities in the world. To the extent that we allow foreign investment, people are endlessly eager to buy up homes in San Francisco and London and Sydney and Auckland.

So I think the case is a little bit overstated. I think actually we're very, very good at building amazing cities, and if we can just align some of the policies -- I think the way we've structured governance in the British system as well as the US system, it actually puts cities at somewhat of a disadvantage. And I think that's partly what we're seeing, right? In the UK as you've sort of flagged, cities don't get to keep a lot of their revenue, they don't have a lot of control over some of the investments they can make. They face all these negative incentives. In the US, local government is incredibly fragmented. They are also creatures of the state, so they're also pretty heavily constrained, not nearly as much as cities in the UK, but we put them at a competitive advantage. They underperform relative to peers in other countries, and then we're like, "Look, nobody actually likes cities."

Anthony Breach:

I think it's definitely something to that, I think especially in the US and the most desirable cities in the UK. I guess part of my thinking on this comes from the fact that if you look at the revealed preferences for people in the UK, like which are the most affluent, most desirable parts of the country, there are a few very urban neighborhoods within that, your Kensingtons, your Chelseas in London, but a lot of them are really peripheral urban, very, very affluent small towns and villages on the outskirts of the big

city. So I think there is perhaps maybe in the UK especially, maybe not the United States, a conscious desire to distance yourself from the big cities is certainly a marker of being upper middle class among some parts of the British population.

I mean, I think another distinction that I think's quite important between the UK and the US is that in the US, you can have that large outwards expansion of your urban areas, and you have the infrastructure to facilitate commuting to do that, right? You have the infamous 6-lane, 12-lane motorways, highways, freeways that take you into downtown areas for high-skilled and high-paid employment. We don't really have that in the UK, right? We have a few kind of urban motorways, but they're pretty piddly, I think, by comparison to some of the things I've seen in Los Angeles.

But even though we have railway networks that are considerably more developed than many American cities, they're not nearly as efficient as their peers in other developed European countries or indeed in East Asia. And partly that's because we have very low-rise, very traditional terraced two-story housing around a lot of our transport infrastructure that prevents people from living near the infrastructure that these cities have and having quick and rapid commutes into their city centers. So we kind of got the worst of both worlds in yet another respect, right? Our cities, they're not dense, but they're also quite cramped as well, right? People don't really have that much privacy, but they also don't have the benefits of apartments in our urban areas.

Nolan Gray:

Well, of course, in Los Angeles, we built an amazing freeway network, and that's why we don't have any traffic problems.

Anthony Breach:

No, of course.

Nolan Gray:

Fantastic. Let's do a quick lightning round. How does that sound?

Anthony Breach:

Yep, let's do it.

Nolan Gray:

Okay. Let's kick it off easy here. Most underrated city in the UK?

Anthony Breach:

Liverpool, but I'm biased.

Nolan Gray:

Okay. You've got to make the case for that because we'll both be in Liverpool here in two weeks as of time of recording.

Anthony Breach:

I think Liverpool is fun in that it has a very sure identity of itself. If you meet someone from Liverpool, they're absolutely convinced, they know it's the center of the world. But also I think it has quite a pro-growth mentality. It had an absolutely torrid 20th century, went through very serious economic decline, but I think, all things considered, I think it's really trying to pick itself back up on its feet and get back to it. And that's aside from the cultural benefits as well, which you'll know all about.

Nolan Gray:

You could put a book on the desk of every policymaker in the UK, what book?

Anthony Breach:

We mentioned Alain Bertaud earlier, so I'll try and think of a different one.

Nolan Gray:

Order Without Design, yeah, great pick, but yeah please.

Anthony Breach:

Probably Ed Glaeser's "Triumph of the City." A real classic. I think it's one we always recommend. But I think what's particularly good about it is, unlike a lot of economists, he can write in very clear English and convey his arguments very simply and with great evidence. But I think he also makes the case very strongly that cities aren't some kind of aberration of human existence. They're really in many ways the most fundamental part of human existence, that allows us to meet with each other, to share ideas, to work with each other and to socialize with each other. And cities provide that. I don't think that's really obvious to a lot of urban policymakers in the UK for the reasons we've been discussing.

Nolan Gray:

Favorite Beatles album?

Anthony Breach:

The White Album, always liked that one.

Nolan Gray:

Good pick. Yeah. I've been working through the catalog with this upcoming trip to Liverpool. Because I was googling, I was like, "What books or media should I consume to understand Liverpool?" And it's virtually all Beatles or Beatles adjacent.

Anthony Breach:

Yeah. The amazing thing about The Beatles is that you can pick any of the albums, and they're all great. But also how universally beloved each one of them is when they were

released at the time, but also critical smash hits as well. And just listening to them, they're just fantastic pieces of art. And it is hard to pick one. But for me, it's The White Album.

Nolan Gray:

I don't know if it's considered basic, a friend of mine was making fun of me when I said this, but Magical Mystery Tour, it's just got that incredible sixties, we've all just done LSD -- it's like the fullest realization of the aesthetics of that moment for me, and it just, it's perfect.

Anthony Breach:

It's that as well. But also it's quite strange, very English musical hall tradition, it's kind of vaudeville, pantomime thing, which I don't think is very common or even very popular outside of the UK. But you can see the fingerprints of it on a lot of things that are quite different about the UK and England to other parts of the world.

Nolan Gray:

What's the next city you want to visit abroad?

Anthony Breach:

Good question. I think throwing a dart into the map, give me an unlimited budget, I think Buenos Aires would be my top pick. Heard a lot about it. I think they set themselves a high bar, calling themselves the Paris of Latin America. But I think by all accounts, it's a fun city, there's lots going on there. And it just seems like it'd be a cool place to be. But I think I'd have to bring my Irish passport perhaps rather than my English one.

Nolan Gray:

Yeah, very good. And they're doing some very strange things with rent control and their planning laws down there under the current very unique president. My fiance, Katarina, is covering some of that for the magazine she writes for. And she's regularly asking me questions about rent control. And I'm like, "What is this?" Crazy things are happening in Argentina. Favorite British dish?

Anthony Breach:

Favorite British dish? Scampi. Do you know what scampi is?

Nolan Gray:

No, I actually don't.

Anthony Breach:

Scampi are little tiny lobsters, langoustines or something. And you fry them in batter, a bit like fish and chips, but much nicer. It's essentially like little chicken nuggets, but full of shrimp rather than chicken. Scampi and chips with peas is an absolute pub classic. You're going to have to have some while you're here.

Nolan Gray:

Great. No, I can't wait to visit. And as an American of British extraction many, many centuries ago, I think I understood where drinking norms in my family and immediate community came from, which has been refreshing, so I'm looking forward to that.

Speaking of which, as we close out here, we'll be at the Labour Party Conference in two weeks. This will probably be around the time this podcast comes out. You get to talk to the new leadership who have just won, for Americans who might not be following, just won a significant landslide election, certainly a major potential inflection point in British politics. What do you tell these folks about housing affordability and planning? We've discussed a whole range of ideas, but what are your things that you would really want to drill home?

Anthony Breach:

I think two key things is, planning reform might be difficult, but doing it makes everything else easier. So if you're worried about economic growth, which they are, if you're worried about the health service and giving public sector workers more disposable income, if you're worried about increasing investment, if you're worried about tackling climate change and allowing people to shift from cars to other forms of transportation, making it easier to build stuff that follows the rules is a really easy way to do that. It might be technically hard, it might be politically hard. But it's by far the easiest way to do that.

I think alongside that I would say, understanding that all the things that we have now in the UK are really internationally unusual, and we don't need to have some crazy deregulatory process, we don't need to rip absolutely everything up. We just need to become normal. And that's different from what we currently have. But normal, that should be our guiding star. And it's possible to do that early enough in a government where you can really start seeing the benefits, maybe four or five years after the reform. That's certainly what New Zealand shows us. And it's definitely possible here too.

Nolan Gray:

Just be normal. There's a lot of discourse about "weird" in US politics right now. So that's probably not a bad pitch. I think a lot of politicians are actually eager to be not weird, aka normal. Actually I do want to pick your brain a little bit more about the rise of the YIMBY movement in the UK. So I think modern YIMBY politics in the US began in the Bay Area in the early 2010s, and rapidly spread nationwide. What's happening in the UK and what's the geography and style of the YIMBY movement in the UK?

Anthony Breach:

So it's definitely still mostly London/South East thing. Partly it's where the affordability pressures are greatest. But it's also, again, coming back to centralization, it's where a lot of the politicians are, it's where a lot of the activists are. So that's where it's almost most useful to be if you're in this kind of work. You are definitely seeing some university

cities, some of the big cities outside of London, it's starting to pop up. But it's definitely a few years behind.

I think what's interesting is that if you'd gone back five or six years ago, YIMBY definitely had a more Conservative/center-right flavor. And Labour people often looked at the YIMBY label with a bit of suspicion.

I think partly the YIMBY international, the successes we've seen from Jacinda Arden in New Zealand, but also what you guys have been doing in California, has helped a lot of Labour people become more comfortable with that idea. And that the Conservatives really struggled to deliver on this agenda, disappointing a lot of their younger supporters, I think it has created the space for a cross-partisan coalition to emerge among younger people on planning reform and YIMBYism.

I know people who are involved with the Labour YIMBY movement as a distinct grouping and organization. And they're doing very well at getting people to their events, to their socials, getting people on board with identifying as YIMBY as a positive message that supports not just tackling social issues, but also delivering an economic strategy as well. And that's something that's really changed in the past six months or so I would say. Even at the start of the year, YIMBYism was certainly less hostile, but definitely not a mark of pride for people in that part of politics. But I think increasingly it is.

Nolan Gray:

It is remarkable just how quickly these things can escalate. I still often talk to people and they're like, "Well, there's no YIMBY group here." And I'm like, "You go start, you just put out, create an event or whatever it is, or a YIMBY happy hour. And I think you'll be blown away by how quickly you go from a half dozen or so having drinks and complaining about the planning process to a movement that is actually setting local policy."

And I think the niche that the movement's feeling, and especially you in the center very effectively, is this is the number one issue I think, certainly across the UK and the US. And it almost seems obvious when you actually give it a moment's thought. You're like, this is the typical family's number one budget item. This is the thing that determines what sorts of public services, what kind of community you're going to be able to be a part of, where you're going to live. It's the bedrock issue.

And as it's gotten to be so out of control in so many places, elected officials are looking around and they're saying, "Okay, what can we do?" And of course we need to be spending more, but there's no amount of spending that's going to solve the problem on its own. And even if there was, we don't have the resources for that.

But you can come and say, "Hey, there are certain free things that we can do that will start to solve the problem." And then scale up some of those fiscal interventions that we've also been making as well. And that's I think really valuable to policymakers. And I think that's the niche that we're potentially starting to fill.

Anthony Breach:

The story's identical in the UK. I think that, unlike the US where you guys have the US dollar as the world's global reserve currency, you don't feel quite in debt, in deficits in quite the same way that we do.

We had a very sharp lesson a couple of years ago when we had the very short period of Liz Truss as prime minister. In which the government tried to embark on a tax cutting, fiscal move, financing that through borrowing. And whether because of that or coincidentally, that coincided with a very large increase in interest rates and pressure on Sterling focused everyone's minds that external constraints are really quite binding on the UK economy at this point. Combine that with 14 years of very low economic growth and very low wage growth and increasing housing affordability, and suddenly political ideas that were unthinkable have become thinkable.

And again, this national centralization problem means you have to be thinking big if you are serious about solving this. But the mood has shifted a lot. And I think it's going to continue to shift as we see those initial ideas which the government has set out be delivered. And then a lot of the remaining issues still are very clearly present.

Nolan Gray:

I think another exciting thing about this issue is, I don't know if you've noticed, but the US has also had a little bit of political instability over the last decade. Just very light, no constitutional crises. And as the UK and US are having a little bit of a moment, this is an area of actually like, okay, there's a pretty clear solution to the problem. And there's

actually a certain degree of bipartisanship or cross-partisanship that is just so unusual. And it's exciting.

I think it's amazing to me too how the political landscape seems to actually be exactly the same as in the UK and here in the US. Where it's like a slight majority, probably Democrats get the issue and are leading on it. And I would say a slight majority, but coming out of the Democratic National Convention, it seems like actually there's a clear mandate from the top. But then on the other side of the aisle, you do have a lot of Republicans who get it, and in some States, Republicans are really leading on it.

But within both parties you have the NIMBY impulse, on the left, the like, don't ever let a market rate home ever get built, we need to have the revolution before we build any more housing. And then on the right, keep your government hands off my R1 zoning. But you're getting to a place where there's a prevailing consensus on both sides using very different rhetoric around reform.

And it seems from the outside looking in that something similar has happened in the UK. I'm curious from your perspective on the UK specifically, is it just the crisis has got to be so bad that the younger folks who are coming up in all of the parties just are forcing leadership to reckon with it? Why is it able to avoid maybe this polarization and stagnation that so many other issues fall into?

Anthony Breach:

I think that's a big part of it, as the issue is now so bad that I think all things are on the table in a way that they weren't before. It's also that there wasn't necessarily a clear idea as to how you would reform the planning system before these kinds of ideas of YIMBYism and zoning reform, a shift towards a flexible zoning system were being presented. You just hadn't had this kind of tinkering or messing about, that didn't seem productive given the amount of political capital you were spending on doing it.

But I think in some ways the most important bit I think has been, and it comes back to your point there about how the past 10, 13 years have been a real tough time for Anglo democracies, it's been persuasion. People who have gone out, have used the evidence, they've made an argument, they've defined the problem, and then presented this as a solution. And they've done that again and again and again and again.

And people who originally didn't care about these topics at all, listened to these arguments, agreed with them, then agreed they were important, and then agreed that they were necessary to implement. And given all the farrago we've seen over the past 10 years, I think it's a really positive story about the strength of democracy and of overcoming partisan divides, as you've said, to try to effect positive change that improves people's lives in the here and now.

We're not there yet. We've absolutely not completed that journey towards a more reformed system. But the track record is that people have had their minds changed, people have changed their minds, they've got involved. And as long as we can continue that course, I'm really optimistic that whatever happens in national politics about any other issue, that we can keep making progress.

Nolan Gray:

I'm optimistic too. I think a shared cultural feature of the YIMBY movement is a belief that a better world is possible. And on so many margins, folks don't feel that. But this is a nice cultural feature of planning that has almost fallen away.

When you read the early 20th century planners, for all the problems and the substance of the policy they were advancing, these reformers were like, yeah, a better world is possible, we're going to change the rules and we're going to build that world. And some of those reforms were spectacularly successful and we're all better for it. And in fact, the more successful they were, the less we notice it. You read some of the stuff about housing safety regulation or sanitation and you're like, oh yeah, we don't even think about it anymore, we just take it for granted.

Flip side is single-family zoning, strict growth limits. Substance was wrong, but the vision of we're going to imagine a new world and trust ourselves to be able to change the way that our cities work. I feel like whenever you talk about some of these YIMBY ideas, there's this idea of, oh, this is this big crazy radical break. And I try to reinforce with people, no, we had a big radical break in the sixties and seventies when we started massively down zoning.

In the UK, there was a big radical break in 1947 when development permits were nationalized and green belts started coming up. Those were radical breaks. And I think it's okay for every generation to say, "Okay, let's assess what's happened over the last few generations. And what's our vision? And how do we make this work? And how do

we learn from the mistakes of past generations? But then move forward with some confidence that we can actually do a similar level of bold change that previous generations have."

Anthony Breach:

Yeah, totally. And in the UK, that's really combined with these reform efforts to pursue devolution and reform of local government as well. A huge part of the unhappiness that led to Brexit and a lot of the recent political troubles we've had has been this sense of, that people's control of their own community, their ability to shape their own community and their own day-to-day lives was really limited by the political system, by democracy. The motto of the Brexit campaign was 'take back control' for a reason, and it tapped into some of these ideas about powerlessness and drift.

And voters are right to feel that way in the UK. Having a general election every five years, or indeed even more frequently as has been the case recently, you get to change who is in power right at the very top. That doesn't really change the ability for you to change how you live within your own community and practice local self-government and practice taking on responsibilities to shape your neighborhood, to grow your tax base, to grow your local economy, to make your place more prosperous.

These are all under the surface, I think quite important ideas that are shaping the national conversation on reform in the UK and planning reform, YIMBYism, more rules-based decision-making. The argument that is being made is saying, all right, give up your case-by-case, really petty control over the tiny little details that don't really matter for you. And if someone imposes them on you, they're a huge inconvenience. And actually relax that to get a firmer grip on what are the big strategic challenges facing your community and your local economy.

Do you allow construction in bluebell woods over there or farmer Bogsworth's farm over there? What are the infrastructure needs of your population? Are you going to be a car-based place or are you going to be like a more cycling place or a more public transport place? Are you going to have flats here? How are you going to take on the challenge of yourself solving high street decline in your area? Or what's going to be your product that you sell to the world? What are your factories and industry going to be that you trade with all over Europe, all over the world?

These are things that are just outside, we pretend they're not, they're outside the control of local officials and of local voters. And having a system which restores the system of local government, which we used to have in this country, I think goes hand in hand with these planning reform movements. And partly because it has exactly that sense of optimism, of trusting people to take control of their own lives and their own communities. And that will make their communities better, but also our country better as well.

Nolan Gray:

You help to lead the Centre for Cities, which does a lot of fantastic work. I'd encourage listeners who are at all interested in any of this to go check that out. Of course, certainly if you're in the UK, there's a lot that will be very interesting there. But I find it so informative to follow what you all are doing over there in structuring our thinking here. Because we really are at a point where we're radically rethinking institutions and we can learn from what YIMBYs are doing all across the world.

What's next for you? What are you working on next? What are the top issues that you're thinking about right now?

Anthony Breach:

So a lot of what I'm thinking about now are questions around local government, local finance, as you might have guessed. I think those are the big upstream problems that you need to solve. So doing a lot of thinking about how to make that work in practice. So getting my maps out, drawing new boundaries for places, thinking about new fiscal models.

But now we're moving, I think, into a position where now that we've won the political battle almost for planning reform being a desirable thing, we're now going back to our roots a little bit and making the argument a bit more for zoning. Bringing the Z word, the Z word, back into public discourse in the UK. So we've got a bit of stuff coming out soon looking at how zoning might work in the UK or in England.

But as well as that, what we found is that making economic history arguments and going back over the long course of, at a historical level, is often a very compelling and convincing way to make arguments to policymakers. So we've got quite a bit more

economic history of house building at a very, very local level, since the Second World War, since the planning system was created coming out shortly as well.

And that's got quite a lot of stuff we've been talking about here of the planning system being used to constrain big urban areas being very present from the beginning. And I think it helps make the argument for, if you support growth, if you support urban renewal, if you support tackling our north-south divides in economic geography, the planning system as it currently is is a barrier to that, and you should support planning reform.

Nolan Gray:

Well, Ant, I don't know about you, but I'm looking forward to getting a beer in Liverpool here shortly and spending many more hours talking about this. The UK is lucky to have you and the Centre for Cities doing all the work that you all do. And it's an exciting moment. I look forward to bringing you on in the future. And maybe a year from now we can talk about all the exciting wins. And you can say, "Oh yes, California, you guys have such a basket case of a system, let me explain to you our beautiful, immaculate brand new UK system." How does that sound?

Anthony Breach:

Yeah, a brand-new English zoning system sounds amazing. All right, yeah, great to be on. Thank you very much for having me on.

Nolan Gray:

Thanks so much.

Anthony Breach:

Cheers.