Government Policies to Control the Growth and Decentralization of Large Urban Areas:

International Experience and Implications for Korea

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Introduction

This paper is about Korean government controls on the growth and decentralization of Korea's large metropolitan areas. Korea's extraordinary record of economic growth during the last 35 years is well known[1]; and we will not review it here. Nor will we comment on the financial crises that have plagued many Asian countries during recent months, except to say that excessive government control and regulation, which we emphasize here in the context of urban growth and decentralization, has been among the causes of the crises in the broader context of the overall financial sector problems.

The Korean economy has become large, urbanized, industrialized and complex. Whatever ability the government may have had to direct the economy when it was small, the Korean economy can no longer be run from government offices.[2] This paper explores ways that the efficiency of urban sectors could be improved if the government relaxed many of its controls on urban development and change.

Metropolitan Growth, Decentralization, Size and Regional Distribution.

Urbanization is a universal correlate of national economic growth and development. In the lowest income countries, 10-20 percent of the population is urban.[3] The percent urban rises steadily to the highest income countries, which have per capita

[1] The best survey available in English, covering the years through 1995, is Song (1997).
[2] Indeed, an important cause of Japan's stagnation during the last 5 years appears to have been the government's unwillingness to take decisive action to reduce its regulation and control of the Japanese economy.
[3] An urban area is defined somewhat differently in different countries. Typically, a place is urban if it contains at least 2,000-10,000 people and most of its workers are nonagricultural.

real incomes about 20 times as great as the lowest income countries, and whose urban populations are about 75-85 percent of their total populations. No country has ever sustained economic growth for at least 2 or 3 decades without massive urbanization.

Economic growth is accompanied by large movements of labor and other inputs from agriculture to industry (manufacturing, capital-intensive utilities and construction) and to services. Efficient modern industrial and service sectors are highly specialized, requiring large movements of goods, people and information among businesses and between businesses and households. Industrial and service sectors are predominantly urban in all countries. The reason is simple: the proximate locations of business and households that characterize high density urban areas permit low cost movement of goods, people and messages both within and among urban areas. Efficient movements of goods, people and information require an elaborate transportation and communication infrastructure, for which governments assume varying but important responsibility in all countries.

The foregoing applies equally to the smallest hamlet and to the largest metropolitan area. The smallest urban areas may do little more than service the surrounding agricultural activities. The largest metropolitan areas are the locations of not only large industrial businesses but also of highly specialized business and retail services, national and international financial, legal and advisory services, governments, major academic institutions and a host of cultural and entertainment activities.

As urban areas grow, they also decentralize or suburbanize. In all urban areas (except, as in Moscow, where government has dictated otherwise), employment and

residential densities, and land prices are greatest at or near the center of the urban area and they decline irregularly with distance from the center. Suburbanization means that densities some distance from the center increase relative to those close to the center. Suburbanization has been documented in urban areas of the presently highest income countries for at least the last century. Many studies have documented that suburbanization has occurred in presently developing and industrializing countries during the last 30 or 40 years of predominantly rapid economic growth. No study has ever reported urban growth without suburbanization.

Why do urban areas decentralize? One reason is rising incomes. As incomes rise, housing demand increases almost proportionately and many relatively high-income residents move to suburbs where land and therefore housing are relatively cheap. Employment also suburbanizes. Retailing and household services suburbanize in response to customers' and employees' suburbanization. Manufacturing is among the earliest businesses to suburbanize. In many countries, the shift of freight movement from water and rail to roads has been an important cause. Stringent government regulations, high taxes, traffic congestion and high land costs have also motivated manufacturing businesses to suburbanize. Such constraints are stronger near urban centers than in suburbs. Sheer size of the urban area is an additional reason. In large metropolitan areas, it would be nearly impossible to move workers between residences and jobs if most jobs were located in contiguous central locations (typically referred to as the central business district, or CBD). Thus, some businesses locate in suburban sub-centers, which provide the advantages of the CBD on a smaller scale. Office sectors predominate in CBDs and,

to some extent, in suburban sub-centers, because they generate needs for face-to-face contacts with related businesses and because the greater ability to substitute structural capital for land in offices than in manufacturing enables office developers to outbid other sectors for the most expensive land.

In almost all countries, governments regulate the spreading out of metropolitan areas because of growth and suburbanization and introduce important distortions and inefficiencies in land use. The pervasiveness and persistence of suburbanization should persuade governments that suburbanization is an inherent characteristic of urban growth. Instead, governments in many countries, including Korea and the U.S. treat suburbanization as though it were an aberration.

Both the absolute and relative sizes of urban areas vary among countries. In countries with at least 15 or 20 million people, the largest, or primate, metropolitan area is likely to contain 5 to 15 million people.[4] A common characteristic of urban development is that the primate metropolitan area grows as a percentage of total urban population during the early stages of urbanization and shrinks as a percentage of the total during later stages of urbanization. Seoul is one among many examples of this pattern. The relative size of the primate metropolitan area also depends on many other circumstances. Geographically large countries, such as Russia, India, and the U.S., tend to have relatively small primate metropolitan areas since no single metropolitan area can service the entire country. Many large metropolitan areas are major international ports,

[4] In some countries, such as Mexico, it is difficult to know how far from the center settlements should be counted as part of the primate metropolitan area.

so the relative sizes of large metropolitan areas depend on how many good natural harbors there are. Finally, countries with independent local governments tend to have several large metropolitan areas, since each local government can compete for infrastructure funds from its constituents, whereas national governments tend to focus resources on the national capital. Although the relative sizes of urban areas in different ranks in a country's size distribution of urban areas vary considerably among countries, the urban size distribution tends to be stable in particular countries. Seoul and new York have been their countries' largest metropolitan areas since the early stages of urbanization as have most European national capitals.

Each country has not only a size distribution of its urban areas, but also a spatial distribution. Topological characteristics strongly influence the spatial distribution. Urban areas are most easily built on relatively flat land; hence urban development and agriculture compete for the same land. Large urban areas are mostly built with easy access to navigable waterways, many on ocean harbors. These two advantages explain why almost all of Japan's large urban areas are located on the flat Pacific coastal plain between Tokyo and Kobe. Virtually all U.S. metropolitan areas with at least 1 million people are on navigable waterways. Chicago has access not only to some of the world's best farmland, but also to ocean trade.

The adequacy of the internal transportation infrastructure also affects the spatial distribution of large urban areas. In countries with poor internal transportation systems, such as China and India, virtually all large metropolitan areas develop near ocean harbors

or navigable rivers. Mexico City is an exception to all geo-economic rules, which partially account for its problems.

Geographically large countries tend to have spatially more dispersed urban areas. The three largest U.S. metropolitan areas, New York, Los Angeles, and Chicago, are spaced almost evenly across the country. Bombay and Calcutta are at opposite sides of India.

Virtually all national capitals are in metropolitan areas that are larger than they would be were they not capitals. Rulers prefer to live and work in large urban areas. In addition, the pervasive intrusion of national governments in business affairs induces businesses to locate headquarters or large offices in the capital.

Governments have additional influences on the spatial distribution of urban areas in that they try to stimulate urban growth in low income and predominantly rural regions in order to promote balanced growth. Such programs confuse the justifiable goal of helping people with the dubious goal of promoting urban growth in regions where markets have indicated that large urban development is not justified. Most regional development programs waste large sums of money and accomplish little: the U.S. Appalachia program, Brazil's Brazilia program, and the U.K. government's programs to develop the Northeastern region of England are examples.

Should Governments Try to Control Large Urban Areas?

Governments in most countries try to limit both the size and the spreading out of the largest metropolitan area or areas. Attempts to control growth and suburbanization

amount to about the same thing since most growth controls attempt to control growth at the edges of metropolitan areas, thus also attempting to limit suburbanization.

The sample of countries that attempt to limit growth and suburbanization includes virtually all northern European countries, Canada, Mexico and Brazil in the Americas, and almost all east and south Asian countries. The U.S. federal and state governments have no policies to limit growth and suburbanization of large metropolitan areas, but many local governments try to control growth of suburbs. Many academic and media commentators favor controls on suburbanization. The intellectual leader of the U.S. anti-suburbanization group is Anthony Downs (1994).

Belief that large metropolitan areas are excessively large and suburbanized is much more widespread than careful analysis of the issues. That is remarkable in that sizes and spatial organization of urban areas are resource allocation issues and economists know a great deal about the efficiency with which competitive markets allocate resources. Most claims that large metropolitan areas are too large or excessively suburbanized are variants of concerns about congestion and environmental pollution. Both are market failures or externalities, and both have been extensively studied by economists. The open issue is how they relate to sizes and spatial organization of metropolitan areas.

Pollution results from excessive discharges of wastes relative to the capacity of air and water bodies to absorb them without excessive quality deterioration. Polluting discharges need to be controlled by government policies. There is no great mystery about anti-pollution policies; most governments have them. Discharges can be limited by

economic incentives, which most economists favor, or by direct controls, which all governments favor. The important conclusion is that limiting the sizes of large urban areas does not limit polluting discharges; it limits only where they occur. No informed commentator believes that moving discharges among locations is efficient government pollution control policy. Since uncontrolled discharges place greater stress on the environment in large than in small urban areas, it may be appropriate to impose more stringent limits on discharges in large than in small urban areas, and the result may be that some businesses choose to locate away from large urban areas. But that should be a business decision.

Congestion means excessive crowding, on roads in the context of urban scale and suburbanization. It is incredible how many Americans believe that road congestion is the result of excessive suburbanization. Proponents of this view fail to appreciate the fact that suburbanization includes spreading out of both residences and businesses. It would be possible to allocate land in a spread out urban area so that there was virtually no commuting. All workers could choose residences very close to the spread out businesses in which they work.

Congestion results from inadequate transportation infrastructure or from inadequate fees for use of transportation facilities. Fuel taxes are efficient fees for use of urban roads. The opportunity cost per auto vehicle mile for driving on roads in large metropolitan areas is US $3-5 in moist relatively high-income countries (Mills 1997). That is the range of fuel prices in many European and Asian countries, including Korea, but U.S. fuel prices are at least 50 percent too low. Fuel prices are too low in most oil

producing countries, such as Indonesia. Transportation infrastructure includes road and fixed rail commuting systems. Investments can be either government or private, but should include operating systems. Many large metropolitan areas have inadequate transportation infrastructure, including Bangkok, Jakarta and Manila. In the U.S., the physical infrastructure is mostly superb, but operating systems are inadequate for both road and fixed rail systems. In almost all countries, including the U.S. and Korea, fixed rail commuting systems are subsidized excessively.

Some other reasons frequently given that metropolitan areas are too large or too suburbanized can be dealt with more briefly. In many countries, including both the U.S. and Korea, writers claim that suburbanization uses land that will be needed to produce food in future years. In fact, all food crises during the last quarter century have resulted either from political violence, as in tropical Africa, or from government-imposed productivity limits, as in China. In virtually all low-income countries, adequate agricultural productivity can be achieved if governments simply permit farmers to produce and sell products in competitive markets. Since population densities are much greater in even low-density suburbs than in rural areas, rural-urban migration increases land available for agriculture. Food shortage arguments are political, not economic.

Another common argument is that land values are so high in large metropolitan areas that governments cannot afford to buy land needed for transportation infrastructure (Lewis 1978). The argument is exaggerated in that, although urban land is more expensive than rural land, urban roads are much more intensively used than rural roads, so urban roads are not necessarily more expensive per vehicle kilometer traveled on them.

More important, the benefits of urban infrastructure are capitalized into land values, and the infrastructure investment is not justified unless it increases land values enough so that taxing part of the increase will pay for the infrastructure.

The final argument to be discussed here is similar to the last one, that governments cannot afford to set aside open space for parks and recreation in large urban areas, since land values are so high. This argument is frequently made in connection with the desire to preserve the greenbelts around Seoul and other large Korean urban areas. Open space is certainly valuable in large urban areas and is especially scarce in East Asian metropolitan areas. Indeed one careful study has shown that privately owned land becomes more valuable as the Seoul greenbelt is approached from its inner, or Seoul, side (Lee and Linneman 1997). Of course, almost everyone would value a residence close to a greenbelt, but it misses the issue. First, greenbelts are typically private property, so the benefit is mostly visual. Second, Korean greenbelts are much larger than is necessary to capture visual amenity effects. It would be much more valuable if a modest proportion of the greenbelts were purchased by government for public use and the remainder were opened for private development.

Asian and Other Experiences with Controls on the Growth and Suburbanization of Large Urban Areas.

All countries impose controls on urban development, redevelopment or important modifications of structures on urban land. Most such controls are intended to reduce the adverse consequences of what are sometimes referred to as "neighborhood effects."

Neighborhood effects are effects of urban activities on people that, it is thought, cannot be adequately controlled by private markets. Land use controls that segregate industrial and commercial land uses from residential neighborhoods are common and important examples. All such controls have some influences on the sizes and dispersion of metropolitan areas, but for most controls, effects are more on where activities take place in metropolitan areas than on whether metropolitan areas are permitted to grow and expand in close accord with market forces.

In many countries, governments have controls intended explicitly to limit the growth of metropolitan areas or, closely related, to limit the expansion of metropolitan areas into rural, typically agricultural, land. Such controls are the subject of this section.

The most common controls on metropolitan growth and dispersion are requirements that government permission be obtained before rural or agricultural land can be developed for typical urban uses. By rationing such permissions, governments can limit the growth of metropolitan areas to whatever extent they wish. Such controls are imposed by governments in most northern European and Asian countries. These controls are employed to focus urban growth on relatively small metropolitan areas and on low-income regions. By granting urban development permission selectively, governments can control types of housing and kinds of production sectors that are permitted in urban areas.

Korea has long had an especially draconian form of control of land use conversion. Government chooses land to be converted, acquires title by compulsory purchase, installs infrastructure on some of the land (roads, schools, etc.), and either develops the

remaining land or sells it to developers who develop it according to a government plan. This procedure has the advantage, made much of by U.S. observers, that the government resells the part of the land designated for private development for much higher prices than it paid for the land, and the difference is enough to finance the government's infrastructure investments. The procedure increases the value of the land both because infrastructure is provided and because the government rations the land to be converted. Evidence indicates that land price increases may be much greater than is needed to pay for the infrastructure, and government agencies make large profits from the conversion process (Hannah, Kim and Mills 1993). The government uses its monopoly power over land use conversion to extract profit from urban growth and dispersion.

Korea and some other countries employ an additional and even more draconian policy to control the growth and dispersion of large urban areas. Greenbelts have been imposed around all large Korean metropolitan areas. Greenbelts more or less encircle each metropolitan area and are draconian in that urban development is forbidden within the greenbelt or any terms. The greenbelt around Seoul has caused discontinuous development of the metropolitan area within and outside the greenbelt, separated by about 14 kilometers. The result is wasted transportation infrastructure in the greenbelt, wasteful commuting and freight transportation across the greenbelt, inefficient and wasteful distortions in the location of business and housing, and a loss of part of the economies associated with a large metropolitan area.

Much evidence indicates that business productivity is greater in large than in small metropolitan areas. Indeed, that is why real wages are typically greater in large

metropolitan areas. Of course, the high productivity associated with large metropolitan areas can be achieved only if metropolitan areas have appropriate transportation infrastructures. Government limitations on metropolitan growth reduce the efficiency of local businesses and distort their locations. Nobody has been able to measure the magnitudes of such distortions, but they are certainly large.

The appropriate amount of land to convert from rural to urban uses is the amount that equates the price increase from conversion to the cost of infrastructure needed as a result of urban development. Needed infrastructure includes transportation facilities and utilities, but not schools, since children must be educated whether they are urban or rural.

It has already been pointed out that so-called urban problems are best solved by policies that solve the problems directly, not by controls on the growth and suburbanization of large metropolitan areas. Environmental problems should be solved by environmental policies. Congestion problems should be solved by transportation policies, although it will be argued below that they are worsened by growth and suburbanization control. Protection of farmland is promoted by migration of residents unneeded in rural areas, since residential densities are greater in large urban areas, thus economizing on land for agriculture or other purposes. Open space should be provided directly by government purchase of land for the purpose.

Direct controls on urban growth and suburbanization simply reduce the benefits of large urban areas without solving any problems. What are the costs of direct controls? First is the loss of productivity associated with large urban areas. Much evidence indicates that a doubling of the size of an urban area increases the productivity of all

inputs in production of goods and services by 5 or 6 percent. Such gains extend to the largest metropolitan areas for which we have evidence. Second is locational distortions. Direct controls force businesses to locate in the wrong places, e.g. in small urban areas instead of large urban areas. Third, direct controls cause land to be more expensive than it should be where development is permitted.

Considerable evidence exists on excess housing costs caused by direct controls, much of the evidence having resulted from World Bank research (Malpezzi and Mayo 1997). In the U.S., where urban housing supply is quite elastic, prices of owner-occupied housing are about 2.5 – 3.5 times owner's annual incomes. In northern Europe, where housing supply is more constrained by government controls, the ratio is 3-6 times annual incomes. In about 1990, the ratio was 8 in Delhi, 15 in Beijing, 9 in Seoul and 12 in Tokyo.

In Europe, London, which also has both direct controls on rural-urban land conversion and a green belt, house prices are 7 times residents' income; In Amsterdam, they are 5 times; In Paris, 4 times; In Munich, 10 times. Not only do such high prices impose an enormous drain on household budgets, but also many people must wait until they inherit parents' homes until they become homeowners. The result is relatively poor housing during child-rearing years, and distant locations of residences from workplaces.

In Asia, Japan has well documented land prices that have led not only to high housing prices but also to serious location distortions. Japan has stringent controls on rural-urban land conversion that have resulted in visible distortions in locations of farmland and urban development (Mera 1996). In Jakarta, insecure property rights and

corruption in obtaining permission to convert land have resulted in high housing prices and chaotic urban dispersion.

Controls on growth and suburbanization are by no means the only causes of extremely high housing prices. The extent to which governments permit the financial sector to provide home mortgages and the extent to which governments have provided secure property rights are also important reasons. But government controls are undoubtedly the primary factor that accounts for such dramatic differences as those just quoted.

Canada and the U.S. are almost a laboratory experiment. Both countries have ample land, similar income levels, secure property rights, and similar construction and home finance sectors. Yet, Canadian house prices are 50 percent greater relative to owners' incomes then are U.S. prices. The difference is that Canadian metropolitan areas, especially Toronto and Vancouver, have greenbelts similar to those in Korea.

It is not widely appreciated that direct controls on urban expansion also promote speculation and land (and therefore housing) price instability. If the supply of land for urban development is elastic, then small increases in land and housing prices cause increases in supply, quickly restoring equilibrium. If housing supply is inelastic because of government controls on land conversion, then small cyclical and other causes of demand shifts cause large price changes and tempt people to speculate. Government controls also tempt speculation as to how much new housing the government will permit during the next year or so. Tokyo is a textbook case. Real estate prices have fallen about 50 percent during the 1990s as the speculative bubble has burst. Both Canada and

the U.S. provide case studies. Vancouver has had wild swings in housing prices since about 1980. So have southern California and Boston, where land use controls are notoriously stringent. Chicago, where there are almost no controls on metropolitan expansion, experiences only mild price savings. During the 1990-91 recession, housing price decreases of 10-20 percent per year followed increases of similar magnitudes during the previous 3 or 4 years in Boston and Los Angeles. In Chicago, in contrast, housing prices rose only slightly faster than the rate of inflation during the upswing of the 1980s, and fell only about 5 percent during the 1990-91 recession.

Implications for Korea

Seoul is a perfect illustration of the foregoing analysis. Housing prices were about 9 times owner's incomes in the late 1980s. Starting about 1990, the government substantially increased land use conversion and housing supply, with the result that house prices have fallen to about 5 times owners' incomes. There seems to be little doubt that excessive controls on land use conversion and the consequent man-made shortages of urban land (Son and Kim 1998) are the primary reason that Koreans are among the worst housed of the world's people relative to their high incomes.[5]

The implications of the analysis in this paper for Korean government policies are simple and obvious. The Korean government should cease trying to control the growth and suburbanization of Seoul and other Korean metropolitan areas. The size of population of the metropolitan areas or its growth rate is not an appropriate policy target.

Besides, there is no such thing as the optimum city size. Spatial policy is not the right way to solve pollution and congestion problems. They must be tackled directly using appropriate environmental and transportation policy instruments.

Controlling the growth of the Capital Region is not a solution to the inter-regional income disparity, either. The level of income disparity in Korea measured by the per capita gross regional product (GRP) is not bad compared with other countries (World Bank 1986 : 12). As of the early 1980s, the ratio between the poorest and the richest region was around 2 in most advanced economics (Renaud 1981: 117). The figure is about 1.8 in Korea. Moreover, attempts to achieve balanced regional development in many countries have not been successful (McFarquhar 1996). In fact, some scholars recognize the existence of the "natural rate of interregional disparities" (Courchene and Melvin 1988: 186-188).

The government should permit private sector developers to buy and sell land on open markets. If a developer wants to build houses or industrial or commercial structures on land that the developer owns, he/she should be permitted to do so. The government could impose infrastructure requirements on land to be developed, and the developer could either build the infrastructure to government specifications or let the government build it at the developer's expense. Government should continue to regulate development to ensure health and safety, and to provide at least minimal segregation of industrial businesses from residential areas.

[5] All the foregoing data pertain to the period prior to the financial crises that began in early 1997.

Greenbelts should be relaxed. Government should acquire appropriate amounts of greenbelt land for open space preservation at fair market prices, and should permit private development on remaining greenbelt land. This will contribute to raising the quality of life of urban residents.

Korean housing finance is primitive. Government should permit private banks and other financial institutions to provide mortgages on a competitive basis. Financial market liberalization should proceed only in step with land market liberalization. If financial markets are liberalized before housing supply becomes elastic, the result will be house price increases.

The foregoing proposals sound revolutionary, but they really amount to little more than encouragement to the government to accelerate movement in directions it has already chosen.. Major reforms should not be executed with excessive speed. They should be executed steadily and with policy change announcements well in advance.

In the long run, all Koreans would benefit from the proposed changes. The economy would be more efficient because resource allocation would improve. The stimulation that the proposals would provide to development would speed the recovery of the Korean economy. Above all, low and moderate- income people would benefit from lower housing costs. In the short run, existing landowners would lose if liberalization proceeded fast enough to further reduce land values in Seoul and other urban centers. That suggests proceeding with deliberate but moderate speed to avoid destabilizing capital losses. However, now is a good time to accelerate liberalization before the next expansionary phase of the economy reignites speculative fever in land markets.

No mention has been made in this paper of controls on prices of houses, especially in development areas. The random allocation of new dwellings at prices far below market has become the great Korean lottery (Kim and Kim 1998). It has encouraged shoddy construction, excessive housing uniformity and a mismatch between dwelling types supplied and demanded. It is good that the price control is being phased out.

Everyone who understands how private markets work knows that the Korean economy is excessively controlled from government offices in Seoul. The unwillingness of the Japanese government to take decisive steps to liberalize the economy is certainly one reason for the stagnation of the Japanese economy during most of the 1990s. It is difficult to doubt that liberalization will accelerate the recovery of the Korean economy. However, the immediate relevance of the general issue of liberalization to this paper is that general government decontrol will reduce the compulsion of Korean and foreign firms to locate in Seoul. That will certainly have some effect in dispersing economic activity, and therefore population, to other metropolitan areas.

It is by now trite to say that economic activity has become globally competitive. But metropolitan areas have also become globally competitive. Tourist officials recognize global competitiveness better than local government officials, in Seoul, Chicago and elsewhere. Excessive controls reduce the competitiveness of every business sector in every metropolitan area. People who understand the importance of competitiveness must educate government officials so they understand that business competitiveness requires metropolitan areas that are free of controls that reduce business efficiency.

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Abstract:

Government Policies to Control the Growth and Decentralization of Large Urban Areas:

International Experience and Implications for Korea

This paper investigates the rationale for and international experience in government policies to control the growth and decentralization of large areas, and suggests implications for Korea. Most claims that large metropolitan areas are too large or excessively suburbanized are variants of concerns about congestion and environmental pollution. But these problems are best solved by policies that solve the problems directly, not by controls on the growth of large metropolitan areas. Environmental problems should be solved by environmental policies, and congestion problems should be solved by transportation policies. On the other hand, much evidence indicates that business productivity is greater in large than in small metropolitan areas. There is also considerable evidence on excess housing costs caused by direct controls. Therefore, direct controls on urban growth simply reduce the benefits of large urban areas without solving any problems. The implications of the analysis for Korean government policies are simple and obvious. The Korean government should cease trying to control the growth and suburbanization of Seoul and other Korean metropolitan areas. The size of population of the metropolitan areas or its growth rate is not an appropriate policy target. Controlling the growth of the Capital Region is not a solution to the inter-regional income disparity, either. There is little doubt that excessive controls on land use conversion such as greenbelts are the primary reason that Koreans are among the worst housed of the world's people relative to their high incomes. Government should acquire appropriate amounts of greenbelt land for open space preservation at fair market prices, and should permit private development on remaining greenbelt land. Suggested reform should proceed with deliberate but moderate speed to avoid destabilizing capital losses. However, now is a good time to accelerate liberalization before the next expansionary phase of the economy reignites speculative fever in land markets.