BOOK REVIEW:

STRONG TOWNS – SOME INTERESTING IDEAS BUT MANY FLAWS

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The book *Strong Towns* by Charles L. Marohn Jr. has received much attention online and in professional circles. Reviews are generally positive, and the book has promised "revolutionary new ideas" for developing the eponymous towns. However, after reading it, I feel utterly unconvinced of the author's central thesis, question his methods and assumption, and am concerned about the fact that the book makes a direct pitch for his consulting work. There are nuggets of ideas in the book about the nature of city infrastructure that are worthy of consideration. I will discuss these first before explaining the many reasons I think Marohn's broader takes cannot be trusted.

The central thesis of the book is that American cities have been overinvesting in infrastructure for generations and in the wrong types of infrastructure (at least indirectly). That overinvestment has brought these cities to the brink of financial destruction. The only sure way to remedy this, Marohn says, is to halt infrastructure investment unless it produces positive cash flows, thus paying for itself. That is his "revolutionary new idea" because it contradicts what most economists, engineers, and other experts have said about the effects of infrastructure investment. One might reasonably ask why these experts have not discovered that infrastructure investment is a drag on communities; Marohn chalks this up to the "infrastructure cabal." This conspiratorial group consists of construction company executives, civil engineers, and academics who promote the "big lie" that infrastructure increases economic growth and thus is good for communities. The "cabal," Marohn asserts, has perpetuated the lie in a few ways:

- Failing to grasp the essential truth that Marohn has uncovered;
- Having been fooled into thinking this through confirmation bias rather than looking hard enough for the truth; and,

- Willfully suppressing the truth in a self-interested cover-up.

And how does Marohn come to this conclusion? The author did a financial spreadsheet analysis of some infrastructure projects in Pequot Lakes, Minnesota, and a few other communities when he was a civil engineer advising local governments. He also determined parcels of land he analyzed in another community had far too much public investment compared to private investment, using a "rule of thumb" that developers used. This analysis would not be a satisfactory level of evidence to convince a serious analyst they were wrong about their carefully built economic model. But Marohn pushes aside these critiques by labeling anyone who thinks differently as being part of the aforementioned "cabal."

With that foundation set, I will discuss some strengths of the book before tackling its other weaknesses. I do want to take seriously some of the things Marohn says, if for no other reason than to grant him the respect he denies so many people.

The main strength of *Strong Towns* is its presentation: The book is written with a lay audience in mind. One fault of too many academic books is that they read like dissertations. Every point is meticulously documented and sounds like something written by a stereotypically boring and arrogant professor. I am reminded of a quote ascribed to William Vickrey, who won the 1996 Nobel Prize in economics for his work on auction pricing. A reporter asked him if he could explain his model in a few sentences. He purportedly replied, "If I could explain the model in a few sentences, I wouldn't have won the Nobel Prize." This type of attitude, unfortunately, permeates academic writing. Ideas that authors could explain in a few sentences instead are written over paragraphs or even chapters. Marohn, by contrast, writes compactly and in a very readable manner. He also uses examples frequently, even if he doesn't fully grasp what they mean (more on that later). He also seems very passionate about his ideas. He fervently presents his thoughts as if he has found the holy grail. It's refreshing to read something less academic and more like an opinion piece in a newspaper.

Among these op-ed-style ideas, there are four that I find intriguing. The first is a more nuanced corollary of one of Marohn's conclusions — that we should be doing a careful analysis of infrastructure projects paid for by public dollars. Early in the book, before I grasped exactly what Marohn was saying, I was heartened that he seemed to be headed toward a recommendation for a complete benefitcost analysis of public infrastructure projects. This position is something for which many academics have long argued. In many years of researching public investments in economic development, I have seen two dominant positions on public investment in infrastructure or economic development. One is a "true believer" position where any development investment is sound. The other is a "true cynic" position where any investment is ripping off taxpayers. In a research project where I developed a more sophisticated and well-documented financial model of economic development incentives (Kriz, 2001), I found that projects ran the gamut from those that produced significant financial gains to those that were almost wholly a financial loss to the community. To me, this suggested that what we need is more careful modeling of these projects.

The second interesting thing that Marohn points out is that we do an incomplete job of accounting for the costs of infrastructure investments. Though he stumbles in his description of the problem and takes credit for finding something that many researchers have said for years (I will return to these points below), he is right that the accounting system for state and local governments treats public investment differently than in the private sector. Many researchers have spoken about the need for better accounting of contingent liabilities in the public sector (contingent liabilities are those that may be realized over time due to commitments made previously). The Governmental Accounting Standards Board (GASB) has moved part of the way toward implementing an accrual-based accounting system over several pronouncements (e.g., Statements 34, 67, and 68), but the movement toward proper accrual accounting is halting and incomplete. Another thing that has been argued for, apparently unnoticed by Marohn, is life-cycle accounting, an attempt to account for not only infrastructure construction and acquisition costs but also future maintenance costs. I have personally worked on projects to implement life-cycle costing, but, again, Marohn seems convinced this never happens.

A third and on-point concept that Marohn hits on in chapter three of *Strong Towns* is the infinite nature of state and local governments. Whereas private businesses can cease to exist if they are not solvent, state and local governments will exist as long as enough citizens choose to live in a community. A variation of this point was made recently by Jamie Lenney, Byron Lutz, Finn Schüle, and Louise Sheiner in a paper on pension systems (2019). They point out that whereas many in the academic community feel the need to move communities toward fully funded pensions, pension liabilities are just another liability like bonded debt and can be paid off over many years. While in my estimation, Marohn completely misunderstands the implications of this reality for his theory (again, discussed below), at least he brings it up.

The final idea that I found compelling is Marohn's suggestion that there should be more emphasis on incremental infrastructure investment and infrastructure maintenance rather than large infrastructure projects. Marohn brings this up rather indirectly through talking about the role of scale and infrastructure built to specifications, but I can see the seeds of his argument in the book. On this point, I again give him kudos for bringing this up, but I would suggest that the real question is whether we want to let growth drive infrastructure development or let the opposite be true. One of the weaknesses of the former, more incremental development pattern is that infrastructure will most often be "chasing" development. This makes it more expensive due to land acquisition costs and other factors and may cause discontent in the urban populace who have to fight congestion. But it is less risky (a point made well by Marohn) and may provide greater benefits as the population has already decided where they are moving. Prospective infrastructure development through large projects that tries to guess or drive economic development patterns is far riskier. But it is often cheaper. These are trade-offs that every economic developer and city council should consider.

As for the weaknesses throughout *Strong Towns*, I think there are several. But I will focus on the ones that are most damaging to the good ideas that Marohn wants to put forth. If he wants to win over experts in this area and be taken seriously, he must address these problems.

Foremost is that Marohn lets his biases drive his results. One of the good things about academics is that we have to maintain our objectivity and try hard not to let our personal beliefs influence our research. Marohn, however, reveals his biases repeatedly throughout the book. I could tell after reading just a few chapters that the following things are "good" in Marohn's world:

- Ancient civilizations that possess "spooky wisdom;"
- Pre-World War II development patterns;
- Small-scale development;
- Mixed-use development (business in the front, home in the back);
- Walking or bicycling; and,
- Architecture with "edges."

He also, in turn, implies that "bad" things include big-box development, automobiles and auto-based development, debt, and redevelopment.

Now, I must admit that even academic researchers will occasionally reveal their biases, but Marohn does so in a way that tells me he isn't even aware he harbors them. Consider the second chapter of the book, where he relates a visit he made to Italy during college, specifically to Pompeii. There, he had a revelation: The Pompeiians had the key to all knowledge about development, which he dubs "spooky wisdom." They knew to site their development near but not too close to water sources, to build their buildings such that they could all be social, and to implement other intelligent design features. I was almost impressed with Marohn's description except for remembering one point — these are the ruins of a city. These wise and development-conscious Pompeiians did not seem to consider the crucial fact that a nearby mountain was smoking. That Marohn wants to take his clues from a city that experienced the all-too-predictable consequence of settling near a volcano should make us stop and wonder about his "lesson." He appears to believe — seemingly based on deeply held biases, without doubt, and despite evidence — that Pompeii must have been a great society and that we should organize our cities just as they did.

Marohn's second failing in the book is related to the first. The author often confuses the lessons learned from a situation or event because they do not conform to his preexisting biases. In chapter six, while talking about the scale of development, he brings up a student's remark in one of his classes. Marohn had been describing his hometown with its single main arterial street development pattern (which existed before the "bad development" he describes later in the book) when a student mentioned his hometown in Costa Rica had this same pattern. Marohn effusively praises the young man and cites this development pattern as evidence that the Costa Rican people as a whole know better than us how to smartly develop communities even though the country certainly isn't as affluent by comparison. Evidently, Marohn hasn't considered that it's not necessarily accurate that this development pattern exists despite the community being poor but that instead, Costa Ricans' decisions, including this choice of development pattern, still led to the community being poor.

A third weakness on display throughout Marohn's writing is "one thing-ism." The most striking example of this relates to his story about Detroit. To hear him tell the tale, the single thing that caused the downfall of Detroit was overinvestment in infrastructure. While I am open to the idea that this was part of the problem, it is certainly not the only one. Marohn never questions that the downfall might have resulted at least in part because of an overreliance on one industry for the majority of the city's tax base. In numerous papers, economists have pointed out that Detroit is a classic case of the company town gone bad. Company towns are very desirable in economic development terms when their product is in high demand but are time bombs in the sense that if their product falls out of favor or the business experiences intense competition, communities are exposed to fiscal risk.

A fourth persistent fault in Marohn's reasonings is the inconsistent application of important ideas. He lays out the concepts of infinitely lived cities and complex, adaptive systems in the book's first chapters. But later, he discusses the Detroit bankruptcy case as if the city were dead — like it had a finite life span and was not adapting to changed circumstances. This inconsistency strikes me as really odd. If cities are supposed to be able to continually adjust to changing circumstances, why should we treat Detroit as if its financial mistakes have resulted in it being utterly destroyed? Data, in fact, shows that hasn't been the case at all. Although there were real adverse effects of its bankruptcy, the economy in Detroit has improved dramatically since the filing. Unemployment fell from more than 12% at the time of the bankruptcy to less than 5% just before the COVID-19 pandemic. The city appears to be adapting just as Marohn himself would have predicted. This improvement in a city's fortunes has happened in other cases of bankruptcy also, suggesting that bankruptcy is not a community-ending event. Perhaps the auto-based culture of Detroit in fact has something to teach the world.

The fifth weakness I observe in *Strong Towns* is that the author goes far beyond his knowledge base in his "analysis." Even though Marohn admits to having little training or practical experience in finance or economics, his most crucial analysis is financial and economic. But he does not document his model nor does he open it up for scrutiny. Given his thin description of it, I can say it has at least one fundamental flaw: He admits to not including any feedback effect of increased revenue from economic development generated due to infrastructure investment. This omission is almost surely wrong. A number of peer-reviewed papers, including one written by one of my colleagues and me (Srithongrung & Kriz, 2014), point to the positive economic effects generated by infrastructure investment. Marohn waves his hands and says none of this economic impact will help city finances. He evidently thinks that positive economic development will not create new revenues, either directly through sales tax revenues (he states that there are no local sales taxes in Minnesota, which is not accurate) or indirectly through increased property values leading to increased property tax revenues. This revenue does not even include charges for services, fees, fines, and other revenue items. Had the author even done a modicum of searching the existing literature, he would have found many researchers who carefully modeled the effects of infrastructure investment. But he appears not to have done this for the book.

There are numerous other factual errors or errors of incomplete understanding in this book. At one point, Marohn says that infrastructure investments would be considered a liability under private accounting rules. That is utterly wrong. The infrastructure would be an asset as it represents a resource that the firm could use to provide goods or services and earn revenues. The asset would be depreciated as it is used, resulting in an expense against the firm's revenues. He also asserts that this treatment does not exist in the public sector. This assertion is also at least somewhat incorrect. GASB Statement 34, promulgated in 2002, requires state and local governments to either report capital assets at cost and take depreciation charges on the government-wide financial statements or use a modified approach to report amounts necessary to maintain the infrastructure at a certain condition level. While the GASB model is not full accrual accounting, it does communicate future costs to users of financial statements.

In discussing development patterns, Marohn also thoroughly confuses supply and demand. He asserts that people relocated to suburbs because of available infrastructure. While it is true that building infrastructure reduces the cost to households of living in the suburbs (and hence is a subsidy), this completely ignores the household decision to relocate — the demand for land in suburban areas. There are many reasons people choose to reside in certain areas of a community, including land sizes, the availability of public and private amenities, and the relative levels of non-amenities such as crime and pollution. This mistake is an example of a misunderstanding generated, again, by "one thing-ism." When all you can see are problems of infrastructure, then everything is driven by infrastructure. What would be interesting is a study that carefully tries to disentangle the effects of infrastructure supply from household preferences. This book is unfortunately not the place for such a study.

One more weakness is that Marohn dismisses everyone who disagrees with his fundamental truths. A prime example of this in the book is the "infrastructure cabal" framework. Marohn repeats the names of two economists — Paul Krugman and Lawrence Summers — and he points out that they suggest infrastructure investment is key to growth without any evidence. As a person who has studied economics extensively, I will say that these two individuals, while world-class economists, are not experts on infrastructure investment. Krugman won the Nobel Prize in economics for his work on international trade and has also written on economic geography. Summers is a macroeconomist who has written mostly on labor markets, international trade, and the effects of tax policy. So it is hardly surprising that they cite the wider body of knowledge and not specific results in concluding that infrastructure investment is positive. It may seem like picking nits, but this relates to the obvious strategy Marohn takes in portraying anyone who views infrastructure investment in a positive light as uninformed or self-interested. Note that Marohn does not cite a single economist who agrees with his position on infrastructure. Therefore, he is left with dismissing all who disagree. This treatment is not only disrespectful but disingenuous.

I could discuss many more weaknesses, but I'll conclude with perhaps my biggest concern: the overall tone of the book. The author believes so much in his models that he both disregards and disrespects everyone who disagrees with him. It was noticeable enough that I became concerned about the motive for this approach. I then checked out Marohn's website, which makes it clear he is using this book to entice people and communities to retain him for speaking engagements and consulting contracts. This causes concern that his real motivation is not to improve communities but to generate business for himself.

In the end, Marohn's only advice for creating "strong towns" is to stop doing infrastructure development unless it pays for itself. He asserts that this will produce a nirvana of small-scale mixed-use developments with front-facing facades just like in the old days before auto-based development. I want to believe this; such a policy would be easy to implement. But it's hard to believe the claims without evidence based on hard data in well-documented models. In my opinion, while there are a handful of compelling ideas for rumination, this book does not provide solid guidance for communities seeking to become "strong towns."

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