

Central Planning Works for Rich People

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A man bikes through town in Nantucket, Mass., on April 25, 2020. Maddie Meyer/Getty Images



By Jeffrey A. Tucker

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Commentary

Consider the following ideological problem. Please stay with me; it is fascinating.

Let's say you strongly believe in property rights and freedom in commerce. You reject central planning on grounds that no team of experts possess necessary information that can outwit the wisdom of evolved markets that take a direction of their own.

From history, you are aware that attempts to replace market-based decisions with central direction leads to material decay, disrepair, demoralization, and finally poverty.

All the above I consider to be true.

At the same time, there are about a dozen communities in this country that have city councils that have curbed or flat-out banned franchise businesses from operating within them. They include Nantucket, Mass., Carmel-by-the-Sea and San Juan Bautista, Calif., Port Jefferson, N.Y., Vail, Col., Springdale, Utah, Shapleigh, Maine, Bristol, R.I., Sanibel, Fla., and Jersey City, N.J., among others. They have kicked off a trend in this direction.

The results are intriguing, even beguiling. You have in these communities the feeling of an old-fashioned world not invaded by all the familiar chains. Businesses are locally owned with interesting names that often reflect the histories of the locations and its physical features. For once when you travel, you feel like you have landed somewhere completely authentic, with visual and experiential authenticity in a way you have never seen.

It's so rare to experience a community without Starbucks, McDonald's, Chili's, TGIF, Walmart, Home Depot, Subway, KFC, Pizza Hut, The Gap, CVS, Dunkin' Donuts, Ace, and so on. They are nowhere in sight. Instead you have local pizzerias, sandwich shops, haircutters, clothing sellers, gas stations, and so on.

The first sense you have in encountering this is charm, and you aren't sure entirely why. Then you notice the absence of chains and it is a bit rattling. And wonderful. Or something.

Commerce is everywhere and happy but it is of a different sort than you have ever seen. Is this entirely organic as it appears to be or a consequence of zoning, planning, and outright bans? It turns out, of course, that what is really going on here is the result of the heavy hand of local government. In other words, despite the velvet-glove appearances, there is an iron fist behind it all.

Let's look at the case of Nantucket, a storied island that has a very long history and a local fame due to its central place in the history of whaling. It is the land setting of "Moby Dick," for example, and has a whaling museum. Every other shop is all about sailing and whaling. People are dressed immaculately and fashionably. Every house is in character with the feeling of the island, with no evidence of flashing commercial familiarities or any weirdness. It is quite simply dreamy.

How did this come to be?

In 2005, Ralph Lauren bought an expensive piece of property downtown and opened a shop. To be sure, this is an upscale place but the purchase followed new shops by Lilly Pulitzer and Vineyard Vines.

Many people in the community, particularly other businesses and residents, panicked that this historic community could face the equivalent of a franchise invasion unless something was done.

As a result, they implemented a new law against so-called formula businesses. With a more than two-thirds vote in a town hall meeting, they completely banned any businesses with 14 or more outlets nationwide (or internationally) with similar names, trademarks, or operations, plus businesses with three or more standardized features in look and feel. In other words, it was quite draconian.

As a result, the only chains remaining on the island are those that were there prior to 2006. The result is the creation of a very special feel to the island. Yes, there are a few high-end chains there and they do a very brisk business but everything else is unique to the place.

To be sure, Nantucket does a huge tourism business. The expectation was that this move would preserve property values by codifying the unique features of the Nantucket experience, which feels today much like how it might have been 75 years ago or even earlier.

It's a bit of a museum piece, maybe even a pastiche, but it is impossible to deny the charm. In at least this one place, you can experience something completely different.

And yet, if you think about it, this is some pretty brutal treatment of the issue of property rights. Real estate owners are not free to sell to the highest bidder. They are leaving possibly millions on the table, though I cannot know that for sure. Regardless, they are turning down the highest bidders for leases on their own land, by edict of government, and being forced by the state to accept lower-priced bidders.

In other words, this is not freedom as classical liberalism defined it. It is filtered through the heavy hand of regulation, though the coercion involved is nowhere one can see. One only sees the beautiful results.

I assume that something similar is true of the other localities mentioned above.

I asked a libertarian friend what his view would be if he lived there. Specifically, I said, given that this clearly violates libertarian principles, if you were a homeowner there, would you support these laws? His answer surprised me somewhat. He said yes, if only to

preserve the unique character of the place, which in turn preserves property values. Fascinating!

Under this theory, a thriving commercial freedom is a negative externality to the prosperity of the community itself.

What do I think? I'm not sure.

I will observe the following.

First, the scale of the central planning is small in each of these cases. This is not a Soviet-style experience or even a New Deal. This is narrow with a specific and attainable goal.

Second, the planners have not attempted to control prices, which are essential signaling systems of economic rationality, and thus have not disrupted market processes in that fundamental way.

Third, all these places are rich. The typical home in Nantucket sells for \$2.2M. Income is nearly double the U.S. average. It's the same in these other places. In other words, the wealth alone permits the liberality in planning, something that would be denied poor communities.

My takeaway is that central planning is not always associated with poverty. Sometimes riches enable it, like an additional luxury purchased by people with the means. Herein lies the great paradox of this sort of regulation. It might not be possible in a lower state of material progress but an advanced state enables every manner of intervention.

Apply this lesson more broadly and there are real dangers. It's true that rich societies can get away with interventions that poor societies could never afford. If we take this too far, we can destroy the entire machinery of freedom itself that makes prosperity possible. That is an outcome that is nowhere near obvious in visiting Carmel-by-the-Sea.

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Jeffrey A. Tucker

Author

Jeffrey A. Tucker is the founder and president of the Brownstone Institute and the author of many thousands of articles in the scholarly and popular press, as well as 10 books in five

languages, most recently “Liberty or Lockdown.” He is also the editor of “The Best of Ludwig von Mises.” He writes a daily column on economics for The Epoch Times and speaks widely on the topics of economics, technology, social philosophy, and culture. He can be reached at tucker@brownstone.org



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