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## Are Growth Boundaries Responsible For High Housing Costs?

I visited the Cato Institute yesterday for a [panel](#) on the causes of high housing costs. It was interesting because the panelists—my Cato colleague Randal O’Toole and my friends Matt Yglesias, Ryan Avent, and Adam Gordon—were unanimous on the need for housing deregulation. Yet they still managed to spend most of the panel in a rather heated argument about whether a free market would lead to more urban or more suburban living patterns.

Randal seems convinced that the kind of density restrictions [Matt](#) and [Ryan](#) have railed against are not a serious problem. Instead his favored explanation is urban growth boundaries. And this does seem to be an issue in the San Francisco Bay Area:

On the right-hand side of the map, we have Mountain View and Cupertino, the headquarters of Google and Apple, respectively (and lots of other important technology companies). On the left-hand side, you have a bunch of parks and nature preserves. Nature’s great, and it’s easy to see the appeal of setting aside land for recreation and open space. But the opportunity cost of preserving land in Google and Apple’s back yard is extraordinarily high. Allowing at least some of this land to be developed strikes me as a good idea.

Still, I disagree with Randal that this kind of restriction accounts for all or even most of the housing cost problems in the United States. A lot of high-cost areas are on the East Coast, and they don’t have nearly as much undeveloped land near them. For example, the overwhelming majority of land within reasonable commuting distance of Manhattan is already occupied. True, there is lots of land in upstate New York, but land in Poughkeepsie isn’t a substitute for land in Williamsburg or Greenwich Village.

And I don’t think Randal’s argument even fully explains the high cost of housing in San Francisco. Some people live in apartment buildings because the suburban homes they really want are too expensive. But others live in an apartment in the city because they like the convenience and amenities of urban life. For these people, a single-family home west

of Palo Alto isn't a good substitute for an apartment in the Mission. Liberalizing regulations in the suburbs wouldn't satisfy these consumers.

Randal cited polls that show most people want to live in a single-family house with a yard. I don't doubt this is true, but I bet equally large majorities would rather drive a BMW than a Toyota. Yet when they're spending their own money, more people buy Corollas than M3s. The same point applies to the trade-off between single-family homes and apartments. Obviously, lots of people would love to have a house with a big yard in Manhattan. But the high cost of land in Manhattan is the market's signal to conserve land by building row houses and apartment buildings. It turns out that when opportunity costs are taken into account, many people are happy to make do without a yard.

To be clear, this isn't an argument for limits on low-density development. We should liberalize regulations on both high-density and low-density development. And as far as I could tell, everyone on the panel agreed on the need for deregulation. So we libertarians should be welcoming liberals like Matt, Ryan, and Adam as allies. Once we succeed in deregulating the housing market, we can let consumers decide for themselves what kind of housing they want to live in.