

Smothering the Dream

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Could it be that market demand has reached a point of usurping the unnatural holds of governmental regulation? It is absolutely exciting to hear real estate professionals point out that regulations impose unwarranted costs upon consumers, as they attempt to get the public to accept “workforce housing” as a new zoning category.

It's rather sad though that they aren't challenging the underlying doctrine, held as almost a religion by many, that authorities-on-high are still necessary to anoint the market.

While they are campaigning in political circles, to try to get the regulations to 'give an inch' in a market that wants to shift a mile, they are not questioning the underlying, and erroneous, assumption that bureaucrats are more capable of knowing what consumers want than are the consumers themselves. In some respects it has been because of this centralized-planning dream, of fitting square pegs into round holes, that helped lead to this housing crisis.

What the “workforce housing” campaign wants to do is to make a simple market adjustment that the market has wanted to make for many years, but was prevented from doing so by unyielding regulations. They want the producers of homes to produce homes in the price category in which there is most market demand. Sounds like a no-brainer. Sounds like something that any good, “greedy” entrepreneur-type would do with no public campaigning at all — and it is, in a free market. In an unregulated market, builders and developers would have done this a long time ago. It's not as though no one noticed that most people couldn't afford the homes that were being built — being built as they were to the master dreamers' specifications.

That most prospective home buyers couldn't afford the product being produced was the impetus behind the creative financing to get them into those homes. It was a scheme, eagerly seized upon, rather than doing the common sense thing of lowering costs. Developing a costly government program was the perfect solution for politicians, who either didn't know or didn't want to know, that such a dilemma simply never happens in an open free market where producers are able to respond and innovate to meet consumer demands.

But, to question the process of development was anathema to a society steeped in statism. After, generations of centralized planning rhetoric, no one had the courage or insight to question the idea that

bureaucrats are infallible while society's producers are inherently incapable and evil. Perhaps that intimidation factor is still there, which would explain the reluctance to question the underlying assumptions upon which the building industry has functioned for half a century or more.

But with half the industry out of business, because they have for so long failed to respond to their customers, they are now – in the most painstaking and least effective way imaginable— attempting to respond to the market, while still appeasing the regulators. Regulators will continue to regulate “workforce housing.” They have mandates waiting in wings to tell builders exactly how to build houses on those smaller lots.

There is great irony here. The regulators, for all their great wisdom, are in fact doing a double-take. As a reporter, I recall, 40 years ago, the planners and regulators decrying over-crowding as the greatest threat to society since the great plague. As they mandated huge lot sizes and – dare we say – urban sprawl, they were pontificating at regular intervals that studies had shown that rats crowded together in cages would die. That was their justification for imposing regulations on the market that required that everyone have lots of elbow room – whether or not they wanted it, or could afford it. Now they like “urban sprawl” – not so much. And, we discover central planners aren't nearly so infallible. (An even greater irony is that the planners would better achieve even their own goals, if they would pay closer attention to consumers.)

Consumer cost is never considered a relevant factor to centralized planners. It is only the values of the planners – not those of the milling masses – that are important. A few years ago, I heard a former Billings City Administrator state most directly that he didn't care how much regulations increased the cost of housing. When asked how he would deal with the issue of affordability, he said, “I don't care, the taxpayers can pay for the housing in one manner or another.”

Costs didn't become relevant until the planners encountered the natural and predictable (at least to some) cost of extending central city services like water and sewer and roads to sprawling urbania – and until they got religion – or at least a new religion, that had little to do with rats. They became environmentalists and global warmingists and suddenly costs mattered since they had suddenly discovered the market connection between costs and the use of resources. Now, it is OK to consider costs – at least as the costs pertain to the management of municipalities, and as they pertain to the unwarranted (as defined by centralized planners) use of resources.

So it is that one artificial barrier to adjusting the market (lot size) may indeed be more susceptible to change than it was before.

The real estate brokers are right. Regulations are hugely costly – not just in their implementation but in the things they don't let happen. They are hugely harmful to the happiness and well being of thwarted consumers. They are hugely harmful to the advancement of innovations, improvements and efficiencies – which have directly to do with the amount of resources used. Interestingly though, while there are zillions of government- funded studies done every day, it was not until relatively recently that someone stepped up to ponder “How much do regulations add to the cost of building a house?”

In a study, not funded by the government, Randal O'Toole of the Cato Institute, in 2006, reported that regulations have imposed between \$40,000 and \$60,000 to the cost of building a house in Montana – varying from city to city. A little over a year ago, speaking in Bozeman, O'Toole said that the recent declines in housing prices across the country closely parallels the degree to which a community implemented Smart Growth regulations which inflated prices beyond market endurance.

Advocates of “workforce housing” are pushing forward their new concept with the claims that it is beneficial to a growing economy to have a place for the “workers” to live. While that is certainly true, it is rather disconcerting that they don't feel more strongly about the American Dream. They certainly understood it when they advocated for government programs. Why isn't it relevant in defending free markets, especially since the government programs failed so utterly?

There is in their terminology of “workforce housing” something quite abhorrent, and not at all how most of us view ourselves.

People buying homes are more than some kind of disembodied component of a successful economic development program. They are not the fodder of business or subjects who must be managed in a master plan. They are more than cord wood that needs to be stacked in high rise apartments so as not to offend the visions of utopian planners. They are more than a market segment that is underserved.

This issue isn't about “workers” needing housing, this is about Americans pursuing dreams. Is there something wrong with saying so? Is there something wrong with advocating for such?