

StarTribune

Ideological blind spots: The right on housing policy

By: Thomas Fisher
July 10, 2014

One of the most obvious examples of big-government programs in American history: our highly subsidized post-World-War-II suburbs.

In “Housing report not credible” (July 4), Randal O’Toole of the Cato Institute shows how the political right has it wrong when it comes to denser cities. O’Toole, like many conservatives, equates low-density development with personal freedom, which is ironic since increasing density vindicates some core economic principles of conservatives, while low-density often results from big-government programs, which the political right claims to oppose.

O’Toole argues that the Metropolitan Council’s Thrive MSP 2040 report shows a “lack of any understanding of the law of supply and demand,” and he goes on to make the obvious point that demand involves a “relationship between prices and quantities.” But he blunders when he equates higher density with higher-priced housing and lower density with lower-priced housing. Supply and demand suggests the reverse.

Large-lot, single-family development eventually limits the supply of housing because of the finite amount of land in any given municipality, driving up the cost. A higher-density mix of detached, attached and multifamily housing enables a community to increase the supply to meet the demand, bringing prices down.

Increasing density, though, does more than hold down the price of housing; it also helps keep taxes low. As has been shown by the engineer and planner Chuck Marohn of the nonprofit Strong Towns, we have built far more infrastructure than the tax base in most communities can maintain. Facing that funding gap, fully built-out municipalities often have just two options — they can either increase revenues in the form in higher taxes, which I doubt O’Toole would support, or they can increase the density around existing infrastructure, using it more efficiently while growing the tax base.

Although some may equate low-density living with personal freedom, an imbalance between the cost of maintaining our infrastructure and the intensity of its use represents a type of financial suicide for communities that have no hope of keeping up with the repair and replacement of their roads and utilities. The infrastructure maintenance bill will force communities to either densify or die.

This reveals one of the great paradoxes in the political right's support of low-density development. O'Toole has written elsewhere against government subsidies to local transit systems and against tax incentives to encourage denser development. He ignores, though, one of the most obvious examples of big-government programs in American history: our highly subsidized post-World-War-II suburbs.

For much of human history, people largely lived relatively close together in villages, towns and cities for reasons that included personal safety, social solidarity and economic opportunity. It took a lot of social engineering — and a great deal of disinvestment in our cities — to counter that history and to incentivize the modern development of low-density sprawl.

Those incentives came from a couple large and expensive federal programs: the interstate highway system, which made it easier for people to commute long distances, and the mortgage-interest tax deduction, which prompted people who otherwise might not have owned a house to want to do so. The market responded to the opportunities these federal programs created and built the suburbs that now ring every American city. But it's disingenuous to portray our postwar suburbs as strictly the result of market forces and of personal choice.

While some people have always wanted — and will continue to want — to live outside of cities, the suburban sprawl we now endure would never have happened without massive government intervention, which makes the Cato Institute's defense of it truly ironic.

Rather than politicizing the issue, we should promote density where it makes sense and prohibit it where it doesn't. And we should not deny the fact that the two largest demographic groups in America — baby boomers and the millennials — increasingly want to live in higher-density cities, with more amenities and services an easy walk or transit ride away.

The development community has energetically responded to that change, and the likes of O'Toole should applaud this market response and stop holding onto the unaffordable settlement patterns of the recent past.