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Cap-and-Trade Bill Would Make Housing Less Affordable

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In addition to the devastating economic effects of cap and trade, the Clean Energy Jobs and American Power Act (S. 1733)—introduced by Senators John Kerry (D–MA) and Joseph Lieberman (I–CT)—would likely lead to the same conditions that caused the housing bubble of a few years ago.

It would do this by providing financial incentives to the federally funded metropolitan planning organizations to shift transportation resources and passengers away from automobiles to public transit and forms of non-motorized transportation such as walking and bicycles. The bill further suggests that these be accomplished through “zoning and other land use regulations” that lead to a more crowded living environment. In turn, these communities of higher population density would be more amenable to forms of transportation common in the decades prior to the invention of the internal combustion engine.

The purpose behind the Senators’ attempt to foster archaic living and travel arrangements (often called “smart growth”) is the belief that this would lead to lower greenhouse gas (GHG) emissions. As it turns out, there is scant evidence to suggest that this would be the consequence of such a strategy, and what evidence there is indicates that the Senators are proposing that Americans trade an empty gesture on the environment for a program that would contribute to restoring house prices to the unaffordable levels reached in 2006–2007.

What the Evidence Shows. Although the academic and the consulting communities are just beginning to investigate the influence of land use and transportation options on GHG emissions and other energy-related measures, findings to date—including studies and reports from the National Academy of Science (NAS), Demographia, Apt Associates Inc., the U.S. Department of Energy, and data from¹ the Australia Conservation Foundation—suggest little or no impact of tighter land use regulations or densification on energy use or GHG emissions.

Indeed, achieving what minimal benefits these studies suggest might possibly occur would require measures of extreme government coercion that would not be tolerated in a free society and would receive little support from Congress or the people. Fortunately for the nation, there are better options: As an MIT newsletter observed, “Urban planners hoping to help mitigate CO₂ emissions by increasing housing density would do better to focus on fuel-efficiency improvements to vehicles. ... [The NAS study] concludes that increasing population density in metropolitan areas would yield insignificant CO₂ reductions.”²

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Despite the absence of any meaningful evidence indicating that more intensive land use regulations could materially contribute to GHG reductions, White House officials and congressional leaders have introduced or supported legislation that would begin the process of population densification in the vain hope that it would somehow work anyway. But as the evidence of the recent housing market collapse reveals, the consequence of this legislation could be catastrophic and would undermine efforts to restore affordable housing to American families.

Just as there is ample evidence to suggest that smart growth and New Urbanist housing policies would do little or nothing to curb GHG emissions, there is plenty of evidence³ to suggest that they would disrupt the already wobbly housing market, make housing less affordable, reduce housing quality, and substantially limit consumer choice. The Kerry–Lieberman bill’s call for “implementation of zoning and other land use regulations and plans to support infill, transit-oriented development, redevelopment, or mixed use development” would lead to higher density living arrangements than most households currently find attractive but cost substantially more.

Bipartisan Concern. Over the past decade or more numerous studies and reports have been conducted and published by a variety of independent sources on the influence of land use regula-

tions on housing affordability. One of the better summaries of what these studies have found was written in 2005 by Paul Krugman—Nobel Laureate in economics and columnist for *The New York Times*—just as the housing price bubble was about to burst:

When it comes to housing, however, the United States is really two countries, Flatland and the Zoned Zone. In Flatland, which occupies the middle of the country, it’s easy to build houses. When the demand for houses rises, Flatland metropolitan areas, which don’t really have traditional downtowns, just sprawl some more. As a result, housing prices are basically determined by the cost of construction. ... But in the Zoned Zone, which lies along the coasts, a combination of high population density and land-use restrictions—hence “zoned”—makes it hard to build new houses. So when people become willing to spend more on houses, say because of a fall in mortgage rates, some houses get built, but the prices of existing houses also go up.⁴

Undermining the Housing Recovery. As the record reveals, communities that adopted the sort of land use regulations and restrictions implied by S. 1733 became highly unaffordable for the typical family. The ensuing housing bubble soon collapsed, and the economy swooned

1. See National Academy of Sciences, *Driving and the Built Environment: The Effects of Compact Development on Motorized Travel, Energy Use and CO2 Emissions* (Washington, DC: National Academies Press, 2009), at <http://www.nap.edu/catalog/12747.html> (July 20, 2010); U.S. Department of Energy, *Buildings Energy Data Book: 2009*, Chapter 2, Residential Sector, at <http://buildingsdatabook.eren.doe.gov/ChapterView.aspx?chap=2#2> (July 20, 2010); Kimberly Burnett et al., “Research on Factors Relating to Density and Climate Change Literature Review,” Abt Associates, June 2010; Wendell Cox, “Housing Form in Australia and Its Impact on Greenhouse Gas Emissions: Analysis of Data from the Australian Conservation Foundation Consumption Atlas,” report prepared for the Residential Development Council (Australia) by Demographia, October 22, 2007, at http://www.propertyoz.com.au/library/RDC_ACF_Greenhouse-Report.pdf (July 20, 2010).
2. Phil McKenna, “Forget Curbing Urban Sprawl,” *Technology Review*, September 3, 2009, at <http://www.technologyreview.com/energy/23343/> (July 20, 2010).
3. See Ronald D. Utt, “How Goldman Sachs Helped Paulson and Company Short Housing in Smart Growth States,” Heritage Foundation *WebMemo* No. 2886, May 4, 2010, at <http://www.heritage.org/Research/Reports/2010/05/How-Goldman-Sachs-Helped-Paulson-and-Company-Short-Housing-in-Smart-Growth-States>; Demographia, “Research Summary: Prescriptive Land Use Regulation & House Price Increases,” August 7, 2009, at <http://demographia.com/db-dhi-econ.pdf> (July 20, 2010); Demographia, “The Housing Downturn in the United States: 2009 First Quarter Update,” May 2009, at <http://demographia.com/db-ushsg2009q1.pdf> (July 20, 2010).
4. Paul Krugman, “That Hissing Sound,” *The New York Times*, August 8, 2005, at http://www.nytimes.com/2005/08/08/opinion/08krugman.html?_r=2 (July 20, 2010).

with it. With home prices now slowly approaching affordable levels, it would be a sad day indeed if congressional actions contributed to a reversal of this trend.

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