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SPRAWL COSTS TOWARD A NATION OF RENTERS

Sprawl Costs: Economic Impacts of Unchecked Development

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Sprawl Costs: Economic Impacts of Unchecked Development (by Robert Burchell, Anthony Downs, Barbara McCann and Sahan Mukheri) recycles the tired claims that suburbanization (pejoratively called urban sprawl) is more costly.

The book is an outgrowth of a study led by Burchell, which concluded that more compact (less suburban) development over 25-years could save \$225,000,000,000 in government expenditures. The study made the all-too-common error of concluding that many zeros after a number make it significant. They do not. It will probably take the average reader at least 225,000,000,000 nanoseconds to read this article. \$225 billion over 25 years is less than \$30 per capita each year. This is a pittance in comparison with overall government expenditures, which have risen more than 100 times that fast over the past 25 years *after adjustment for inflation*.

Aside from the shock value, the validity of the numbers is questionable. In fact, the suburbs are not more expensive. Joshua Utt and I published research analyzing Bureau of the Census data for more than 700 municipalities concluding that actual (not theoretical) public expenditures are lowest per capita in the newer suburbs.¹ Even sewer costs were found to be lowest in the newer suburbs. The principal reasons are that politics, congestion and labor costs drive costs higher in more compact development.

Sprawl Costs weakest assertion may be that more compact development would reduce the cost of an average new house \$16,000, a conjecture that ignores economic reality. To accomplish the more compact development that Burchell et al would prefer requires stringent regulation, such as urban growth boundaries, greenbelts and other limits on development. Rationing land, like anything else, results in higher prices. Edward Glaeser and Joseph Gyourko,² in work published by Harvard University, reported that the principal cause of differences in housing affordability between US metropolitan areas is zoning and land regulation.

¹ See Wendell Cox and Joshua Utt, *The Costs of Sprawl Revisited: What the Data Really Show*, 2004 (<http://www.heritage.org/Research/SmartGrowth/loader.cfm?url=/commonspot/security/getfile.cfm&PageID=65819>)

² Edward L. Glaeser and Joseph Gyourko (2002). *The Impact of Zoning on Housing Affordability*, Cambridge, MA: Harvard Institute of Economic Research.

The current “housing bubble” is most pronounced where there is strong land rationing – places like California, Portland and the Northeast, from Boston to Washington’s Virginia and Maryland suburbs. In the last five years actual house prices in these areas have risen \$200,000 more than the average in Atlanta, Dallas-Fort Worth and Houston, growth dynamos where there is little land rationing. In just five years, the conjectural \$16,000 savings over 25-years have been consumed 12 times over by the actual excess price increases in areas that have implemented the very strategies required to compel the compact development advocated by Burchell et al.

Moreover, with Hispanic and African-American home ownership a full third below the White-Non-Hispanic rate, the cost increasing effects of land rationing are *today* denying opportunity and blocking the ladder to the economic mainstream. Of course, the higher prices will also drive other millions out of the homeownership market. All of this shifts wealth from young to old and poorer to richer in a perverse trickle-up economy. The American Dream is under threat. A nation of renters will be less affluent.

None of this is to suggest that suburbanization should be the favored form of urban development. Instead, people should be allowed to live and work where and how they like, as the *Lone Mountain Compact* states.³ Anti-suburban interests have yet to find a compelling reason why this should not be so.⁴

Sprawl Costs misses the economic opportunities and wealth that has been created by broad homeownership. This was made possible by building new houses on inexpensive land in the suburbs. It is not surprising that virtually all urban growth in the United States, Western Europe, Japan, Canada, Australia and New Zealand has been suburban for decades. Consumers know better. What Burchell et al perceive as costs are really benefits.

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Demographia is "pro-choice" with respect to urban development.
People should have the freedom to live and work where and how they like.

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³ <http://www.demographia.com/db-lonemountain.htm>.

⁴ See <http://www.demographia.com/dib-smg.htm>.