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# Spatial Economics Research Centre

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## On the Origins of Land Use Regulations

Earlier this week the BBC reported on findings from a Halifax poll suggesting that [first time buyers fear being locked out of the housing market](#).

The underlying problem is that house prices are high relative to incomes. In turn, restrictions on supply play a large role in driving those higher house prices. While the consequences of land use restrictions are increasingly understood (at least by academics!) there has been surprisingly little research done on the causes, or origins, of these restrictions. Why are they so popular?

The standard answer is that the benefits of restricting development are concentrated, while the benefits of allowing it are dispersed.

[The IEA argue](#) that this is not enough - and that we need to recognise that people play an emotional cost of rejecting a cherished belief, if we want to understand why voters inflict unnecessarily high housing costs upon each other.

My colleagues Christian Hilber and Frederic Robert-Nicoud provide an alternative explanation, which they refer to as [the influential landowner hypothesis](#) [pdf]. As they put it:

"We start from the observation that one of the most salient economic effects of land use regulations is to increase the cost of future developments. As a result, the most important economic conflict that arises in this context puts the owners of developed land (who have the most to gain from regulations) against the owners of undeveloped land (who have the most to lose from them). As the most obvious winners and losers, these two groups have strong incentives to influence the regulatory environment."

Using data from the US, they find strong support for this hypothesis. The data provide weak or no support for alternative hypotheses whereby regulations reflect the wishes of the majority of households, or efficiency motives.

As the UK government seeks to incentivise local councils to allow more development, this raises interesting questions about what will happen when [local communities are given more say in the planning process](#).

Posted by [Max Nathan](#) on [Friday, June 03, 2011](#)

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