

The Role of Urban Housing in Growth and Development

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I. Introduction

The introduction will start with a statement of the issues and the scope of the essay and end with a road map of the essay.

2. Conceptual Framework

This section will look at the role of urban housing in growth and development from the perspective of economic theory. It will start by considering urban housing in the context of the classic literature on market failure. The line advanced by most principles textbooks is that, since the housing market is competitive, market provision is efficient. Why, then, contrary to this line of reasoning, have governments in almost all countries, intervened so extensively in urban housing markets? An answer will be provided drawing on the modern literature on market failure, which emphasizes incomplete markets, equity, and social justice. It will then consider the role of urban housing in the context of growth and development, focusing on housing and physical capital accumulation (including housing as "unproductive" capital, capital market liberalization, property rights, macroeconomic stability, infrastructure investment), housing and human capital accumulation (particularly the effects of spatial segregation on equality of educational opportunity), housing and the Solow residual (which includes institutions, property rights, regulation, and agglomeration economies), and housing and urban-rural migration. It will conclude with a broader conceptualization of housing as providing not only shelter but also access to public services, job and educational opportunities, and social networks.

3. Empirical Regularities

This section will summarize international data on housing: the level and growth of housing consumption, housing adequacy, housing affordability, tenure mix, government expenditure on housing, size of mortgage market, as well as some related social indicators.

4. Literature Review: Urban Housing in Developed Countries

This section will review the housing sector experience of developed countries in the 20th century. One focus will be on the expansion and then contraction of government intervention in the housing sector, particularly in Western Europe but also in North American and Australia/New Zealand. Another focus will be on these countries' experience with the regulation of land markets and urban spatial structure. There may also be some discussion of the housing sector experience of former Soviet Bloc countries.

5. Literature Review: Urban Housing in Developing Countries

This section will concentrate on ways in which the urban housing sector differs between developed and developing countries. The most obvious differences are property rights regimes, the importance of informal housing in developing countries, and the rapid

growth of cities spurred by rural-urban migration in developing countries. But also the weak fiscal capacity of many developing countries provides an incentive to regulate rather than tax-and-spend, and poorly developed capital markets constrain both the operation of the housing market and the scope of government policy.

6. Government Housing Policy in Developing Countries

This section will derive broad policy recommendations, drawing on the discussion of the previous sections. Topics will include: regulation of land use/zoning, regulation of urban-rural migration, regulation of the size distribution of cities, building code design and enforcement, liberalization of mortgage markets, government policy vis-à-vis informal housing including the provision of public services, and spatial segregation and equality of educational opportunity.

The overall thrust of the paper, while providing a rigorous and critical discussion of the state of knowledge, should also focus on lessons for policymakers tasked with crafting economy-wide policies. Particular attention should be paid to discussing means of using housing policy to keep growth on track and even enhance it, while attending to social and political concerns. In this regard, discussing successful cases of delivering results on a large scale, or on the other hand, poorly designed and particularly costly housing subsidy programs, should receive particular attention.