REVIEW/COMPTE RENDU

Zoning: Its Costs and Relevance for the 1980s, by Michael Goldberg and Peter Horwood, with Roscoe Jones and David Baxter. The Fraser Institute, Vancouver, 1980; 133 pages. $4.95 paperback.

This short monograph discusses the merits of urban zoning. Successive chapters and appendices provide a brief history of zoning; a description of alternative forms of zoning; a statement of some of the pros and cons of zoning; a summary of four empirical studies of the external diseconomies which provide one of the rationales for zoning; a discussion of the experience of Houston, the only large North American city without zoning; a description of some original empirical research on zoning and land use externalities in Vancouver; a discussion of alternatives to zoning; and finally, an analysis of the effects of zoning in a von Thünen model of agricultural land use.

The introduction indicates that the purpose of the monograph is to present "an economic view of zoning" (p. 4). The study does not, however, provide a coherent economic analysis of zoning. The discussion of zoning is ad hoc and employs little of the methodology which is standard among economists who are interested in the merits of alternative forms of government intervention in the economy. First, one would expect an economic analysis to make use of some of the land use models employed in the urban economics literature. The only theoretical model of land use and zoning in the monograph is contained in an appendix by Baxter at the end of the volume. While Baxter's analysis of zoning in a simple von Thünen model of land use is an interesting exercise, it is irrelevant to the text by Goldberg and Horwood. Baxter's model omits the land use externalities which are the primary focus of Goldberg and Horwood's discussion, and no use is made in the text of Baxter's analysis.

Second, one would expect an economic evaluation of zoning to include a careful analysis of the effect of zoning on the economic efficiency of resource allocation. Goldberg and Horwood do not even introduce economic efficiency as a criterion which might be relevant to determining the merits of zoning and alternatives. Consequently, the reader is never exposed to a discussion of the nature of the potential efficiency benefits and costs of zoning.

Third, while the authors state that "the present volume is directed toward providing citizens with the current state of
knowledge on the subject of zoning" [p. 100], the monograph
does not provide the reader with anything approaching a careful
review of the literature. Only two topics are covered in detail: [1]
There is a summary of studies which test the hypothesis that the
market price of a property is lower, ceteris paribus, if nearby land
is allocated to the uses which are restricted by the typical zoning
ordinance. There is also some new evidence on this from a
previously unpublished study by the authors. (2) There is a sum-
mary of the experience of Houston, the only large North
American city without zoning. On the other hand, a number of
topics which are analyzed in the zoning literature receive little or
no attention, although some of the relevant studies are listed in
the bibliography. For example, the authors ignore the literature
which analyzes zoning decisions in the context of positive
economic models of government behaviour, and only one page
(p. 18) and some passing references [pp. 11, 28, 29] are devoted
to fiscal and exclusionary zoning.1 Furthermore, the authors
refer only to the equity aspects of fiscal and exclusionary zoning
and ignore the argument that such zoning practices may con-
tribute to the economic efficiency of resource allocation.2 Also,
while the authors refer to height restrictions as a form of zoning,
they do not refer to the study by Arnott and MacKinnon [1] on
the economic costs of height restrictions.3

Notwithstanding the oversights described above, Goldberg
and Horwood do provide a number of sensible economic
criticisms of zoning, which we will summarize, for the case of
zoning restrictions which would prevent construction of apart-
ment houses in the middle of single-family neighbourhoods.
First, their review of the empirical literature on the deter-
minants of property values suggests that the damage caused by
the allegedly incompatible land uses which are traditionally
restricted by zoning is substantially reduced or eliminated by the
normal functioning of the market for urban land. For example, if
an apartment house is built in a single-family neighbourhood,
the market will allocate the houses surrounding the apartment
to the households which are bothered least by proximity to the
apartment house. If there are enough households which are not
bothered by apartments, the prices of houses near the apartment
house will not be adversely affected by the apartment house,
even if most of the people in the city would not want to live in a

1 See Davis [3], Frankena and Scheffman [4], Hamilton [5], Mills and Oates [6],
2 See Frankena and Scheffman [4].
3 Arnott and MacKinnon [1].
References


