When a slumping housing market pushes a national economy towards recession, policymakers, investors, and homeowners tend to focus their attention on federal regulation of housing finance. However, they have all but ignored the impacts of local and state regulations on the production of housing itself. This is surprising, since recent evidence suggests local and state land use regulations may play an important role in housing market efficiency (Mayer and Soerville, 2000; Glaser, Gyourko, and Saks, 2005). Furthermore, scholars have failed to reconcile opposing theories of land use regulations and housing supply, so consistent definitions of regulation and efficiency remain elusive.

This dissertation will help reconcile the opposing theories of urban economics, political economy, and regional planning with the question: How do land use regulations affect housing markets? Do their impacts vary by scale? While these theoretical models yield radically different answers, most conclude that other regulatory approaches result in housing market inefficiencies. But with several perspectives and viewpoints, what are the fundamentals of various models? How well do models and theories portray real-world markets? Which models should policymakers follow?

This dissertation uses a three-paper approach to address these questions. The first paper, an integrative analysis, intimately examines the idea that land use regulations may have played a role in the emergence of the 2007 recession. Results financial deregulation and decentralization of land use in the 1980s set the stage for a large housing bubble and subsequent crash. Second, an empirical analysis examines local government regulation, competition, and housing construction in Southern California. Findings indicate that as cities permit more multifamily units, their neighbors permit less, suggesting that local regulations and intercity competition may inefficiently restrict certain housing types. The third paper analyzes the impacts of state regulation on housing growth in Maryland, and finds that it may increase multifamily housing in urban areas, but decrease in suburban and exurban areas. This suggests that cities in non-urban areas might view state regulatory incentives as a source of inefficient growth or public expenditures, and that “smart growth” programs have limited effectiveness.