The Market Logic of Regulation: Herbert Hoover and the Need for Standards

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Much of the debate on how to end the current world-wide financial crisis rests on the assumption that excessive government regulation create impediment to the 'free' flow of private capital. Opponents of high safety, quality, labor or environmental standards often claim that governmental regulation of the marketplace drives up prices and drives away jobs. This notion that there is a trade-off between economic growth and governmental regulation is the cornerstone of neo-liberalism—-the policy doctrine that believes that the role of government is to encourage private enterprise. Whatever the wisdom or limitations of this school of thought, it is important to note that the original justification for regulations and standards governing housing and urban development was entirely different. Indeed, in the 1920s, when the first regulations were being debated and legislated in the United States, the thought was that high standards would encourage rather than impede private investment in homebuilding and urban development.

This paper uncovers the early discourse around housing and zoning standards by looking at research commissioned by Herbert Hoover. Hoover served as US Commerce Secretary through the 1920s (commonly referred to as the 'Gilded Age') and as President from 1929 to 1933—the years the United States entered into the Great Depression. Both as Commerce Secretary and as President, Hoover's approach to improving the flow of capital through the marketplace remained the same: using government regulations to raise building standards thereby making private investment in homebuilding safer and more financially lucrative.

This model of market-led urban transformation, with its emphasis on high building standards, was relatively short-lived. It would be replaced during Roosevelt's New Deal with a model of state-led production of mass housing. The scarcity of capital prompted the federal government to re-visit the standards first enshrined by Hoover. Nonetheless, this paper argues that studies on zoning and housing commissioned by Hoover and the ensuing legislation that he proposed are instructive in at least three ways:

First, this history helps us revise a key assumption that government was meant to play a minimal role within the market-led model of urban development.

Second, Hoover's use of research for setting public policy contributed to the academizing of city planning. No longer the exclusive domain of city engineers, urban planning would emerge in the 1930s, as a direct consequence of Hoover's initiatives, as its own academic field.

Third, the notion that higher building standards produced positive social and economic outcomes led to the emergence of a new conception of environment. This new concept did not entail descriptions of the environment as a physical realm with specific attributes; rather, it consisted of a psychological discussion of the relations between and amongst individuals and their surroundings. This relational conception of environment, fundamental to early social psychology, was at the heart of government efforts to attract private investment to slum redevelopment and housing for minorities.

Thus, even when the market-led model of urban transformation was replaced during the New Deal with a new model of state intervention, its reliance on psychological research continued to influence the pedagogy and practice of city planning through to the 1960s and 1970s.

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