

We Don't Need More Affordable Housing, We Need More Housing So It Will Be Affordable

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What follows are my draft comments for a gathering to discuss housing today in San Francisco. I've since revised my comments to talk more specifically. But I thought this idea was important to share as well.

If we believe that cities provide economic opportunity, produce fewer carbon emissions per capita than urban sprawl, that cities are more energy efficient, that they have less impact on oceans, lakes, rivers, and streams, that cities afford people of a wide variety of ethnic, economic, and cultural backgrounds to live close to each other and learn from one another, then we should believe that more people ought to be able to live in cities. That means we believe in more housing. If the number of housing units meets or exceeds the number of people that want and need them, those people have more freedom of choice, more mobility and more opportunity. It also means a smaller percentage of their income has to be spent on the basic necessity of shelter.

There are two groups of people slow the production of more housing. First, people who already own homes know, on some level, that when supply fails to keep up with demand, the resulting scarcity makes their asset more valuable. Usually these are single-family neighbors who introduce all manner of red herrings against proposed new housing construction. Parking, design, construction noise, view blockage, loss of tree canopy, loss of bird habitat, the size of units (too big or too small), traffic, building materials, fenestration, and many others are all reasons to slow and stop new construction.

But they also object to more development because it isn't affordable.

This obsession with affordability is something they share with the second group that slows housing production, left leaning progressives and socialists. The left holds that price is not a measure of supply of housing compared to demand. Price is a measure of inequality. Price is a measure of greed.

When prices go up, it is because one group of people is getting rich at the expense of another group. High housing prices are a deliberate effort to transfer wealth from the bottom of the economy to the top. Since housing is an essential for living, developers and landlords price as high as they can regardless of people's ability to pay. Since, in the view of progressives, there is only one economic pie and its size is finite, when one group has a bigger slice it necessarily came at the expense of those with smaller slices. The notion of baking more pies is off the table. If freed to build more housing, developers would make more, but keep charging high rents to generate even more wealth.

These two groups, single-family neighbors and socialist, have married for convenience in the political arena and their child is the notion of "affordability." The first group opposes new market rate housing because it will hurt them economically even though their stated reasons are a rhetorical distraction from that fact. The second group believes that the reason prices are high is because of profiteering, therefore they believe that in order to make housing affordable the only solution is to redistribute profits from market rate housing through fees and taxes to the production of affordable housing built by non-profits. Neighbors support these schemes such as

Mandatory Inclusionary Zoning (MIZ) because they know they will slow the production of market rate housing with process and cost.

This is why some progressives argue that housing should not be a commodity. It is a right. When I hear this I point out that if a 10,000 people are moving to a town with 7,500 units, the resulting scarcity will mean high prices. In a socialist utopia, it will mean rationing by a centralized bureaucracy. In a price economy, there will be an economic motive to build more housing. The result is more supply and lower prices even while the builders make more money. In an economy without price, the government would have to redistribute limited resources away from other public benefits to housing. Markets ration benefits impersonally through price, and prices fall with competition. In economies with no price, there is no incentive to increase supply and people with political agendas do the rationing and production of your “rights” – an example of what Hayek called “The Road to Surfdom.”

Remember, affordability is qualitative measure of a person’s relationship to price. All housing is affordable to someone. For me, a three-bedroom penthouse apartment in New York City is not affordable; to Bill Gates or Jeff Bezos it is. The shift in language away from using price as a measure of supply and demand and toward the less precise term "affordability" is not an accident. It is a deliberate effort to thwart more housing by invested incumbents and an expression of an ideology that, in the words of Margaret Thatcher, would rather the poor were poorer, provided the rich are less rich.

So be wary when you hear advocates ranging from so called YIMBYs and Urbanists to single-family neighbors and socialists and politicians saying, “We need more affordable housing;” that is another way of saying more money for non-profit housing developers to build a few expensive units years from now. What we all should be saying is, “We need more housing so that it will be affordable.” Rising housing prices mean we need more housing and fewer rules.

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