

Comment on Chester Hartman's "The Case for a Right to Housing": Housing Is a Right? Wrong!

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Abstract

Although currently neither politically nor fiscally feasible, the notion that access to inexpensive, presumably high-quality housing should be a government-guaranteed universal right would be a terrible idea even if it were popular and affordable. The proposition fails on three counts. It isn't necessary. It doesn't make economic sense. And, most compelling, were such a policy to be implemented, its putative beneficiaries would not thank us.

Even if we should not promulgate "a right to decent, affordable housing," we want to assure that all Americans have access to decent, affordable housing. Happily, we can count on the private housing market (coupled with rising prosperity) to serve 95 percent of the country's households. Serving the remaining 5 percent requires concerted measures to scale back onerous housing regulations that prevent the private housing sector from meeting the needs of lower-income and untypical households.

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Introduction

For the better part of the twentieth century, liberal housing advocates in the United States (and their counterparts in other industrial countries) have asserted that inexpensive, high-quality housing is a birthright of all citizens in an affluent, modern, and enlightened society and that it is government's obligation to fund and implement that birthright. Chester Hartman's article is only the latest in an exceedingly long catalog of such assertions. But although the arguments Hartman makes in recapitulating the case for a housing guarantee hardly differ from those of earlier passionate housing reformers such as Catherine Bauer Wurster, the contemporary context in which he makes them is radically different. Public confidence in the ability of government programs to solve intractable societal problems is at an all-time low. Taxpayers are increasingly disinclined to support existing costly entitlements (other than those intended for the middle class), let alone add new ones. And the fruits of six decades of government subsidization and sponsorship of low-cost housing—efforts that never made housing an entitlement but that were nonetheless grounded in the premises of

housing advocates—have been largely disappointing. Against this backdrop it is easy to dismiss Hartman’s proposition as not only anachronistic but laughably quixotic (a term that even he applies to the effort). Nevertheless, because Hartman’s clarion call may still ring true for a sizable minority of well-meaning people—especially among the ranks of planners and social welfare professionals, not to mention judges—it deserves a thoughtful response.

Although currently neither politically nor fiscally feasible, the notion that access to inexpensive, presumably high-quality housing should be a government-guaranteed universal right is a terrible idea even if it were popular and affordable. The proposition fails on three counts. It isn’t necessary. It doesn’t make economic sense. And, most compelling, were such a policy to be implemented, its putative beneficiaries would not thank us.

Why a government-guaranteed housing entitlement is unnecessary

Housing conditions in the United States have improved steadily and inexorably during this century, especially in the five decades since the end of World War II, the period in which nearly 80 percent of all currently occupied dwellings were built. It is not hyperbolic to assert that today American housing conditions are not only better than they ever were but that they are the best in the world. Virtually all of this improvement has resulted from a combination of rising household incomes and the dynamics of the private housing market. The historical indicators of housing inadequacy were overcrowding (which Hartman still alludes to), dilapidation, and lack of private plumbing facilities. By none of these measures do we have a serious housing problem today. In 1940 more than 20 percent of all dwellings were overcrowded (occupied by more than one person per room). Fewer than 5 percent are today. In 1940, 18 percent of all dwellings were severely deteriorated physically. Only 2 percent are today. In 1940 over 45 percent of all dwellings lacked a complete set of plumbing fixtures in bathrooms and kitchens. By 1990 only 1 percent suffered from such deficiencies (U.S. Bureau of the Census 1990).

Few Americans even judge their housing conditions by these antiquated standards any more. Most Americans are no longer satisfied with merely adequate housing. They want luxurious housing, and they are getting it. Even as American households get smaller, their homes are getting larger. In 1960 the typical dwelling was 1,200 square feet and occupied by 3.1 persons. By 1990 the typical home had grown to more than 1,700 square feet, occupied by only 2.4 persons. Practically all homes have refrigerators (most self-defrosting).

Eighty percent have washing machines and 70 percent have clothes dryers. More than half have dishwashers. At one time the lack of central heating was a housing concern. Today, central heating is universal (and mandated by local housing codes), and air conditioning, once a true luxury enjoyed only by the affluent, is now nearly as ubiquitous. More than 44 percent of all dwellings have central air conditioning. Most of the rest that need cooling have room air conditioners (U.S. Bureau of the Census 1993). Not only dwelling interiors have improved. Increasingly, homes sit on large, well-landscaped properties, often with swimming pools and other site amenities. Even apartment and town house complexes are often set among luxurious grounds and include extensive communal recreation facilities. Hartman is concerned about housing tenure. But the most secure housing tenure is homeownership, and—at the rate of 65.4 percent—more Americans than ever before own their homes (Joint Center for Housing Studies 1997).

Hartman and other reformers would likely counter that not only have many Americans not benefited from the general trend, but such improvement in housing conditions as has occurred is attributable to a partial implementation of the housing reformers' agenda. But if any government programs have contributed to the massive upgrading of American housing conditions in the last half century, they have not been the ones that are the prototypes for Hartman's housing entitlement. Arguably, the Federal Housing Administration's and U.S. Department of Veterans Affairs' trailblazing in making homeownership more available and affordable in the decades immediately after World War II may have played an important role in fueling postwar suburban housing development, the major arena in which Americans found better housing. The income tax deductibility of homeowners' interest and property taxes—a subsidy frequently disparaged by Hartman and other housing reformers—may be a factor in sustaining the high level of homeownership. And government-initiated development of secondary mortgage markets (i.e., Fannie Mae and Freddie Mac) have greatly expanded the volume of housing finance.

But whatever the contribution that these nonmeans-tested housing programs may have made, the traditional government housing programs aimed at low-income households—the ones that Hartman would expand in fulfilling his housing entitlement—have at best contributed only a small increment of housing improvement, while trapping their poor and near-poor clients in an isolated and inferior housing submarket. The United States today has more than 1.3 million publicly owned or managed housing units, and another 3.5 million receiving a continuing stream of housing subsidies (U.S. Department of Housing and Urban Development 1997). That represents less than 5 percent of all dwellings. More to the point, much

of this stock is perceived to be undesirable; much of it is expensive to build and not especially affordable (even with subsidies). And had these programs not been implemented, their beneficiaries might have been better served in the primary housing market.

Why a government-guaranteed housing entitlement does not make economic sense

When Hartman and other housing advocates argue that a massive government investment in housing subsidies is money well spent, and a bargain compared to defense outlays, they presuppose that the primary obstacle to public support for such a policy is its prohibitive cost. However, large-scale housing subsidies are a bad idea not merely because they are expensive but because they distort the economic dynamics of the housing market, with respect to both supply and demand. The superior quality of America's housing—as well as its extraordinary variety—is no happy accident. It is a tribute to the successful functioning of a relatively unfettered private housing market that has been able to (1) efficiently and continuously produce a high volume of housing responsive to a diverse set of consumer needs and preferences, and (2) allocate that housing to a mass market of consumers both rationally and equitably.

If government involvement in the provision of housing were significantly extended, as Hartman proposes, the housing market would become increasingly impaired, mainly to the detriment of housing consumers—including the poor. Even existing housing programs, marginal as they are, distort housing markets in the communities in which they operate. Government agencies, operating in their own right or as conduits for subsidies to private or nonprofit developers, make inefficient housing producers; when they assist tenants they distort the contours of housing demand. Most housing projects developed by public agencies are expensive to build and maintain, and usually designed to inferior construction and amenity specifications. Federally mandated eligibility rules make them islands of extreme poverty and social dysfunction, even by the standards of the poor neighborhoods in which they are set. Publicly developed housing is often so poorly designed that some public housing authorities have resorted—amid widespread public approbation—to tearing them down. Even when government programs underwrite privately owned housing—Section 8, for example—many of the same problems arise, and others are added. Subsidized for-profit landlords often overcharge and undermaintain their units, and nonprofit sponsor-owners often fail as managers or go broke.

This critique, which is now widely accepted, leads inexorably to the case for housing vouchers. But the most extensive as well as per-

verse market distortions result from the primary objective of all housing programs—from public housing to vouchers—which is to subsidize tenants. The most undesirable aspect of tenant subsidies (including rent control) is that they misallocate housing. The greater the subsidies, the greater the misallocation. Although the bedrock principle underlying Hartman's proposal, as well as most housing reform efforts, is the promotion of equity, housing subsidies subvert equity. Households with similar needs or incomes can end up with housing of widely varying quality, because the subsidized housing itself varies widely in quality. For households with different needs or incomes, subsidies can have particularly perverse impacts. Higher-income households can often secure larger subsidies than households with lower incomes. Small households may get bigger apartments than large ones.

But for urban residents, the most distressing misallocation is the impact housing subsidies have on the social ecology of their communities. Hartman stresses the importance of good neighborhoods and clearly assumes that a housing guarantee would move more poor households into good (i.e., middle-income) neighborhoods. But as Husock (1997) and others have noted, to the extent that housing subsidies promote this objective, they undermine the central role the housing market has traditionally played in rewarding upward social and economic mobility. Most hardworking, responsible households see themselves slowly and laboriously climbing a ladder of housing and neighborhood quality. From their perspective, subsidies allow less industrious or less responsible households—even those whose members might be drug dealers and violent teens—to get better housing than they have and, adding insult to injury, to destabilize their neighborhoods. In the end, the housing reformers' objective is largely unattainable, because working- and middle-class households cannot be prevented from moving.

Why its putative beneficiaries would not thank us if a government-guaranteed housing entitlement were implemented

Having government develop or subsidize housing—whether in a sweeping commitment like Hartman's or through more typical incremental programs—cannot satisfy the housing aspirations of Americans, regardless of income or social class, because housing is a consumer good, not a public good. While not always stated explicitly, Hartman's proposal and most housing reformers' demands assume that housing is a public good, or as it is sometimes stated, a "public utility." When government policy treats a consumer good as if it were a public good (as happens often in other societies) consumers are sure to be unhappy. While few goods are purely "public,"

public goods can be distinguished from private ones by three key characteristics. Their consumption presumably confers such a significant benefit on the community that subsidies are justified to make sure they are consumed in greater quantity or quality than market forces of supply and demand would occasion. As such, they are not to be consumed for their intrinsic enjoyment but as the means to an end. Finally, because they serve the community as much or more than their consumers, their quality need not rise much above some threshold of adequacy. From the consumers' perspective these criteria mean: (1) there is no relationship between what consumers pay for a public good and what it is worth, (2) consumers rarely get much pleasure from a public good, and (3) they rarely get a public good whose quality rises above a mediocre standard. All goods that are now heavily subsidized—education, health, transportation—meet some or all of these criteria; housing does not and, more to the point, should not.

To begin with, it is hard to demonstrate the community benefit secured by subsidizing housing. We can be persuaded to pay for our neighbors' public education because, arguably, it makes them better citizens and more reliable workers. Using public funds to confer ostensibly superior housing on selected members of the community (regardless of the selection criteria) serves no equivalently compelling community-wide interest. And the negative community impacts of inferior housing, in aesthetics or—in extreme cases—public health, can be more effectively controlled by regulation than subsidies. But the most salient reason why we should not treat housing as a public good is that few Americans—regardless of class or income—view their homes as just a means to an end—that is, as mere shelter.

Not only can housing vary widely in quality beyond the threshold of “decent” and “suitable,” it can vary widely in design and as a setting for divergent lifestyles. All Americans—including the poor—cherish these qualitative differences in their housing. Thus, we would do the potential beneficiaries of a subsidized housing guarantee no favor if we adopted a policy that truncated the diverse and consumer-responsive private housing market by expanding a submarket of arguably adequate but joyless “housing as a public good.” Wouldn't vouchers—as in the case of food stamps (another consumer good supported by subsidies)—allow us to have it both ways: funding housing as a public good while permitting its quality to reflect the standards of a private good? Probably not, because the costs and equity effects (noted earlier) of applying vouchers to as expensive and variable a commodity as housing lead inevitably to the establishment of criteria and restrictions aimed at keeping them within the quality limits of public goods. And the wider or costlier a

voucher program becomes, the tighter the restrictions are likely to be.

There is a policy alternative to a universal housing entitlement. The most persuasive of the housing advocates' arguments for a government role in housing is that not all households are well served by the private housing market. First, there unquestionably remains some degree of racial discrimination in the sale and leasing of housing that needs to be overcome. The best way to do so is not with housing subsidies or by siting low-income housing developments in middle-income neighborhoods, but through aggressive enforcement of antidiscrimination laws. However, the most valid concern of housing advocates is that households at the bottom of the income and social scale have a hard time finding good quality housing that is "affordable." A recent estimate is that 5.3 million households—primarily recent immigrants and single-parent families—spend more than half their income on housing or occupy very inferior dwellings (U.S. Department of Housing and Urban Development 1998). The proper response to this concern is not to lace unaffordable housing with producer or consumer subsidies (especially when they do not necessarily reach the poorest or most deserving households) but to make privately developed and owned housing "truly affordable" (i.e., without subsidies). In virtually every other consumer good sector, private enterprises have been able to serve the entire spectrum of American households. There is no reason why housing need be an exception.

To the degree that the American private housing market cannot affordably serve many of the country's poorer or more idiosyncratic households (e.g., the young, the old, the disabled), it is because a variety of regulations—mainly at the local level—have made it difficult to do so. Local housing codes (of the kind that Hartman applauds) have raised the cost of housing production and, more seriously, have inhibited the adaptation and reuse of existing dwellings to make them suitable and affordable for poorer, smaller, and non-traditional households. Unquestionably, the most binding constraints on housing affordability arise from local zoning and subdivision regulations, especially in the suburbs. Most suburbs (and many cities) make housing more expensive by mandating unaffordably large lot sizes, restricting multifamily housing, prohibiting manufactured housing, and imposing expensive design and site standards. The newer generation of local subdivision regulations not only saddle developers with the full cost of building the municipal road and utility infrastructure, they set much higher standards for that infrastructure than are necessary (or than prevail in the already settled parts of the community). The effects of local regulations are magnified by the actions of housing lenders that look askance at lower-cost and untypical housing developments. Just

about every dwelling type in which this author lived as he was growing up—all places that were both affordable and amenable for a family struggling to make ends meet—would be impermissible in most localities today.

In conclusion, no, we most certainly do not need or want “a right to decent, affordable housing,” but yes, we want to assure that everywhere in the United States we have decent, affordable housing. Happily, we can count on the private housing market (coupled with rising prosperity) to do 95 percent of the work in implementing such an assurance. The remaining 5 percent—mainly devoted to bringing down the cost of housing because housing quality is a fading issue—requires concerted measures to scale back onerous housing regulations that currently prevent private housing developers and owners from meeting the needs and pocketbooks of lower-income and untypical households. It would be nice if housing advocates like Hartman set aside their anachronistic aspirations and unrealistic policy nostrums and supported such an effort.

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