

The Housing Issue Can Belong To Free Market Republicans

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If you tell people you work in housing their first question is, “Oh, you work in affordable housing?” That word, housing, in the context of policy conjures up positive and negative images, but almost none of them have to do with real estate or developers or a pro forma. Usually, housing is considered a social program, especially when it is associated with the word affordable. However, things are changing and housing will become, in the years ahead, as strongly as associated with conservative principles as torte and tax reform. Here’s why.

As the United States becomes a more urban country, cities are struggling with housing prices. Demand for housing in cities is surging, yet production is lagging. California, especially the Bay Area, has become the emblem of the so-called housing crisis. The idea that cities are “too expensive” has taken hold in the American psyche. Yet most Americans also see cities as a locus of poverty. Cities at the same time vote overwhelmingly for Democrats.

What’s going on here? Well, cities do offer tremendous opportunities. Even in the ancient world, cities like Alexandria were the place where people from all over and of all backgrounds, ethnicities and religions came to mingle, innovate, and explore. More recently, as Frank Sinatra sang of New York, New York, cities were the place to go to succeed. If you could make it there, he sang, you could make it anywhere.

Cities in the United States also have anchored big colleges and other public institutions and these have tended to attract very educated people who are driven by science and finding, if not the truth, better and better facts. But once people arrive in a city and, well, “make it there,” they have a tendency to want to close the door behind them. Liberal and left leaning people can move from open minded to entitled quickly when they begin to draw the benefits of exclusion.

Years ago Virginia Postrel told the Tale of Two Townhouses in the Atlantic. It was pretty simple; left leaning cities made it harder to build while right leaning places were more generous with building permits. Nothing has changed in the intervening decade except the intensity of the resistance not just to Donald Trump but also to new housing and development in large cities, especially on the west coast And that resistance has even extended to rural areas where water access has been used by urban environmentalists to choke the supply of new housing that could benefit agricultural and aquacultural workers.

Democrats want to solve the “crisis” they’ve made by not wanting to welcome growth with new housing by increasing subsidies for “affordable housing,” while at the same time squashing new supply with more and more rules. As I said before, the two-tiered view of housing leads to the view that the market will never produce enough housing for people with less money because builders only want to make luxury housing; therefore we must tax new housing to feed subsidies to non-profit developers.

Democrats always have housing policies that are all about one thing: more limits on production and more money for subsidized housing to counter the evils of the market they are limiting.

This is where Republicans can and will claim the typically urban, progressive issue; Democrats want more money, Republicans want more housing. It's a simple supply side point of view. It also works. Over and over, when hot markets peak, and supply exceeds demand, prices fall. This is squarely in the realm of Fredrich Hayek, Milton Friedman, Margaret Thatcher, and Ronald Reagan.

If something is scarce we know it is because its rising price signals us that the economy should make more of that thing. That's where the opportunity is. When housing prices rise, the obvious solution is not more subsidies extorted out of the private sector in exchange for building permits, but more permits given to create more of what people need, housing.

Many homeless people, in a sad irony, have cell phones. That's because some local rump of a city council doesn't fee, fine, regulate, review, and limit the supply of cell phones. There are enough cell phones in the world that a person who can't find a place to shelter and sleep can often manage to pay for a phone. The fact that there is a homeless problem and a lack of housing in cities is a testament to a failure of liberal Democratic policies, and also an opportunity to turn the political tide and elect urban Republicans who support progressive social polices and rational economic ones as well.

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