



Three Million New Homes and Other Exercises in Wishful Thinking

THOMAS KINGSLEY | AUGUST 28, 2024

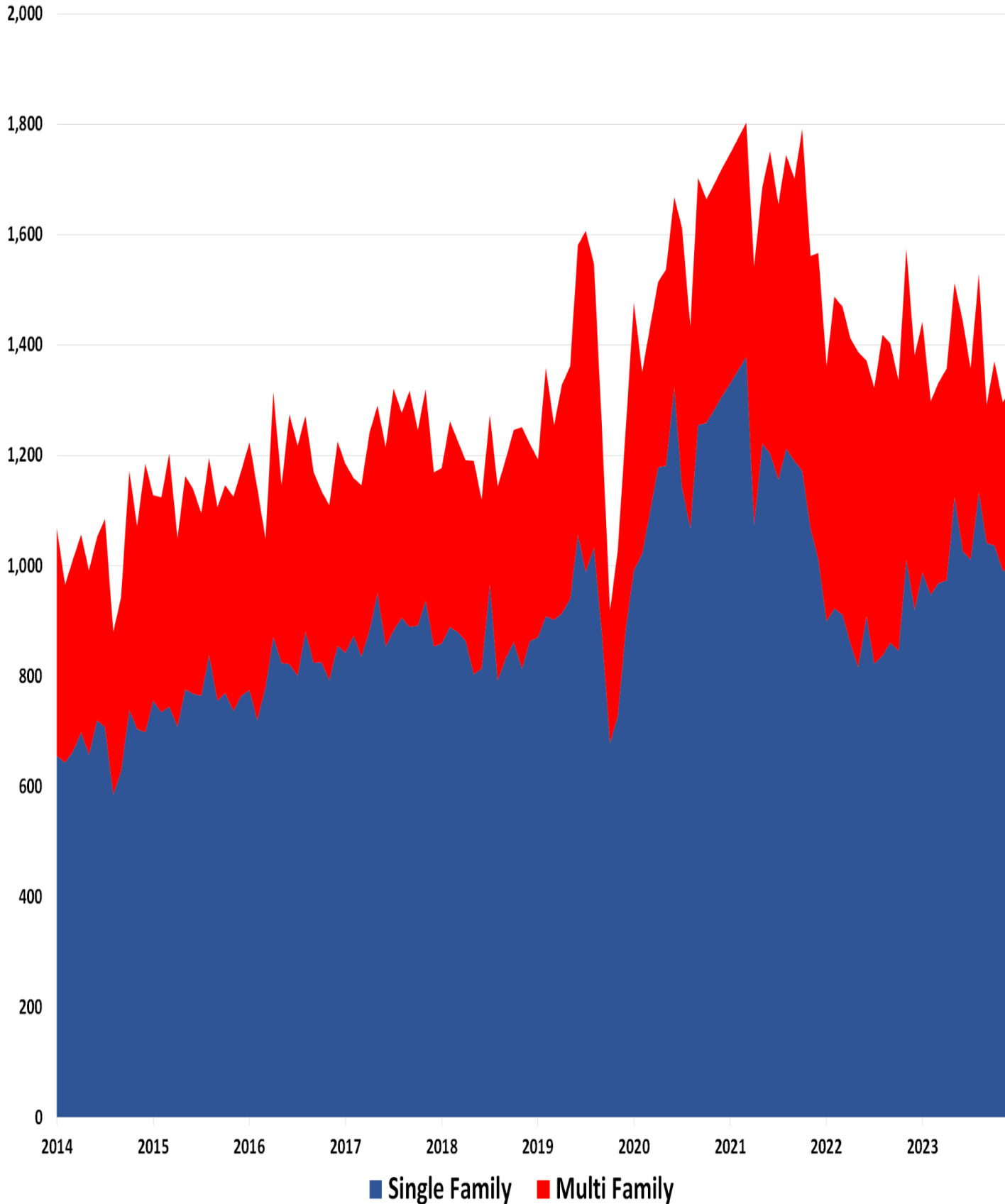
The Harris-Walz policy platform ([if it can be called that](#)) is an omakase of unserious proposals in response to unserious problems. I for one am not looking forward to the continued crusade against the imaginary enemy of the left, the lesser-spotted “[junk fee](#).” What a pleasant surprise, then, that the biggest policy issue to buck these trends has become housing, with senior Democrats calling for practical policy solutions to real housing problems. Representative Maxine Waters recently [warned](#) that “We’ve got to deal with the NIMBYs”; former President Barack Obama devoted part of his speech at the DNC to housing, noting that getting “more young people” in housing is a “priority.” Housing policy fever reached its apogee with the release of the [Harris economic agenda](#), in which the presidential hopeful “called” for the construction of 3 million new homes, proposed tax incentives for construction, and downpayment support for first-time homebuyers. For the uninitiated, this raises two questions: What is the current housing crisis, and what are Democrats proposing to do about it?

While there is a wide range of fascinating policy discussions coloring the housing debate (the impact of the [Fed’s rate setting](#), the [distortionary stranglehold](#) of Fannie Mae and Freddie Mac, the impact of immigration on labor availability, tariffs on resource availability, or the mismatch between wage and home-price growth), the problem is at its heart quite simple: There ain’t enough houses. The United States has a shortage of an estimated [4 to 7 million homes](#), and the laws of supply and demand dictate the houses will have higher prices as more people pursue fewer homes. U.S. home prices have [increased 50 percent and rents by 35 percent in the last five years](#). The number of people considered “cost-burdened” (or spending more than 30 percent of their income on housing) hit a record [42 million](#) in 2022 and continues to grow.

The goal, then, must be to build new houses, and there is considerable agreement that the most significant barrier to new construction is red tape – more specifically, zoning restrictions. For a better picture of this, consider consulting the AAF’s quarterly [Housing Chartbook](#), the most recent iteration of which released yesterday (the latest data shows that house prices were 5.7 percent higher in the second quarter of 2024 versus 2023). The chartbook includes historical data as to the number of new homes started –

HOUSING STARTS, PAST 10 YEARS

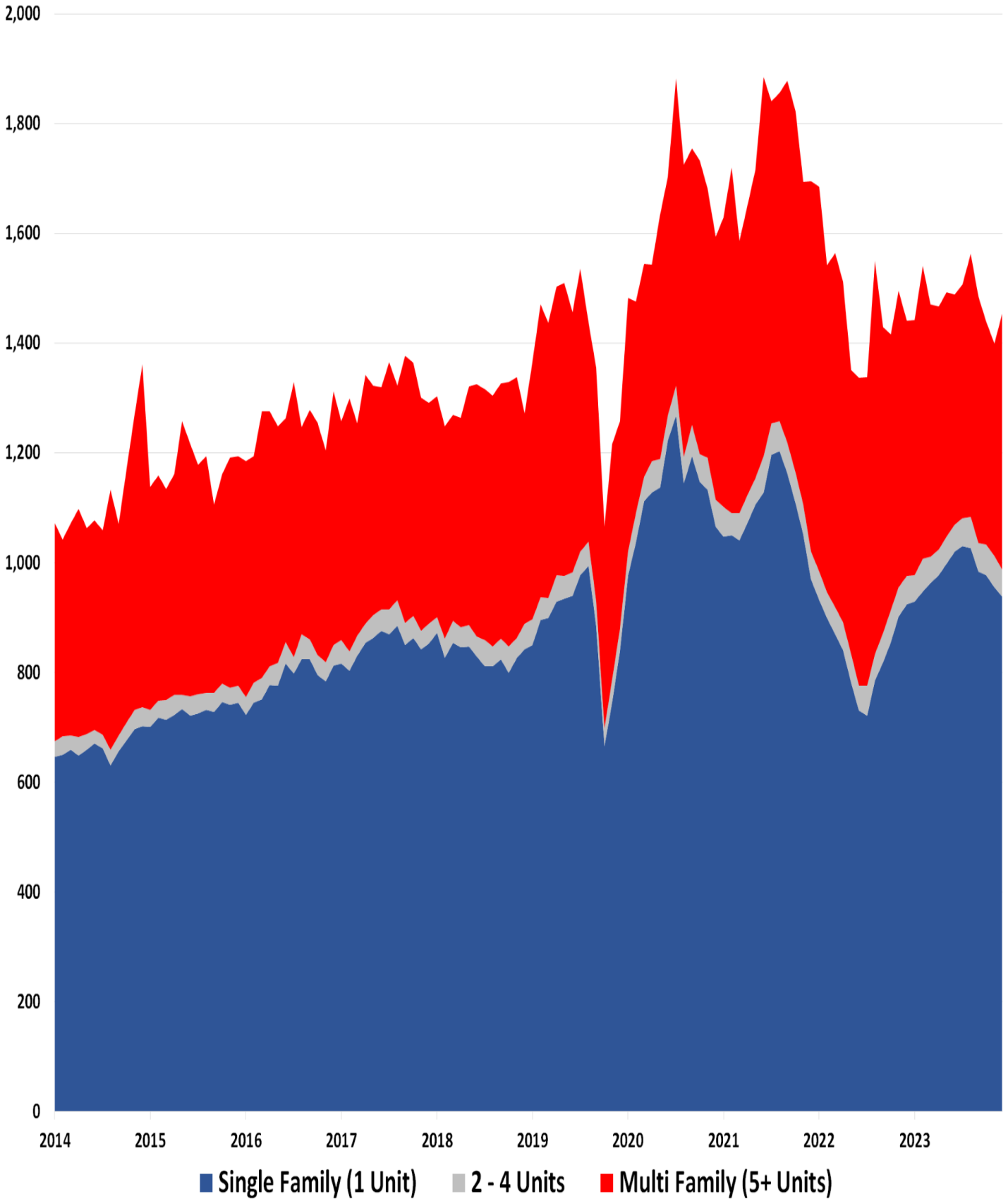
(SEASONALLY ADJUSTED, THOUSANDS OF UNITS)



...and as a prerequisite to that, number of permits issued.

HOUSING PERMITS, PAST 10 YEARS

(SEASONALLY ADJUSTED, THOUSANDS OF UNITS)



Housing starts are at their lowest point since May 2020. The solution seems clear – cut through the red tape, allow for an explosion of permits, and incentivize new construction. So how do the Harris-Walz proposals measure up? At the more positive end of the scale, we have proposals for a series of tax credits for homebuilders, incentives that encourage investment in the construction of new homes. It is, however, very difficult to chart a throughline from the implementation of tax credits to the actual creation of new houses, a risk noted by Rep. Waters. In other words, it is difficult to ensure that the proceeds of this federal giveaway end up in the desired places. Somewhere in the middle is Harris’ call to “Cut Red Tape and Needless Bureaucracy.” While this would be an extremely effective way of increasing housing supply, zoning restrictions are enacted at a local level by community governments. There is astonishingly little the feds or any administration can practically do to impact local zoning. Finally, at the bottom of the policy barrel, we have the same old populist, demand-side subsidies that exacerbate the problem. While offering \$25,000 in downpayment support for new buyers is terrific politics, it is abysmal economics, empowering even more people to chase the same number of houses will only send prices higher. Elsewhere, the Biden Administration is flirting with [rent controls](#), an unusual opportunity for bipartisan amity from economists united in loathing. Expect Republicans to have a field day with a new proposal in California aiming to help [undocumented immigrants purchase homes](#).

Perhaps the mistake is mine for engaging with the Harris-Walz policy proposals at face value. Even senior Democrats have said out loud not to sweat the details on grocery price controls, as there isn’t a universe in which that bill [passes the Senate](#). Perhaps a presidential policy platform is solely about messaging, and state and local Democratic policymakers may feel inspired after the DNC to go home and engage in the backbreaking task of fighting with NIMBYs. Still, Americans deserve better from their presidential candidates – and the most charitable interpretation I can make of Harris’ housing plan is that it will have roughly similar effectiveness as if I were to “call” for world peace and provide as detail half a recipe for crême brûlée.