

Home, Dear Home

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The real estate boom is a familiar phenomenon. Most people are predicting that it will, if not burst, at least wilt. But the basic components aren't going to change, not unless we have a catastrophe of sorts, something economists don't feel obliged to integrate into their speculations.

The components are:

- a relatively wealthy community;
- the hard desire to own one's own house, along with the ambition to make it more and more comfortable and pleasing;
- the dependence of building sites on immediate amenities (sewage, power);
- and strategic sources of nourishment (jobs).

The convenience of infinitely available land faded as urbanization brought on heavy dependence on elements that weren't always available to homes on the range. Schools and hospitals are not only useful for educating children and curing the infirm. They are necessary to attract affluent home buyers.

Jon Gertner, writing for *The New York Times Magazine*, gives a useful account of the home-building industry. Here are some basic indices. We have 34 million rented apartments at this point and 74 million owner-occupied homes. The pool is being fed by immigrants seeking houses, by children growing and seeking their own homes, and by the elderly wanting a second house in which to vacation or retire. The home-building industry has constructed about 13.5 million single-family homes since the mid-1990s.

So why is the cost of housing so high?

We learn that the average new house nationwide now sells for nearly \$300,000. The writer tells us, "I asked (a builder) what our children – my kids are both under 8, I told him – would be paying when they're ready to buy.

"They're going to live with us until they're 40," (the builder) said matter-of-factly. "And when they have their second kid, then we'll finally kick them out and make them pay for the house that we paid for. And that house will cost them 45 to 50 percent of their income."

Such data are dismaying, but perspective helps. "In Britain," the builder explains, "you pay seven times your annual income for a home; in the U.S. you pay three and a half." The Brits get 330 square feet per person in their homes; Americans, 750 square feet. But choice parts of the United States face "build-out." Consider New Jersey. It currently averages 1,165 people per square mile – denser than India (914) and Japan (835).

And we confront, finally and inevitably, the question: What is to be done about it?

Almost without exception, housing specialists concur, high home prices are owing to zoning. Twenty years ago, in many quarters of the country, one year would go by before the political authority would permit a developer to begin housing construction. In New Jersey, that interval now approaches eight years. Delays of that kind have the effect of shrinking the amount of land on which houses can be constructed. We get the inflated costs so familiar. “(Some authorities) used sample prices from 25 areas to show that the cost of housing in a metropolitan area appears to be in direct correlation to its degree of zoning ordinances,” Gertner writes.

This is a politically remote source of trouble. People who have to wait for a zoning agency to change its conventions, regulations, traditions and idiosyncrasies will be very old before they acquire a new home. Henry George, the eminent social philosopher of a century ago, turned the attention of planners and economists, however briefly, to the indefeasible factor of land scarcity. Capital and labor can increase; land cannot.

Accordingly, George was the apostle of the single tax. It aimed most directly at land speculators. His insights would focus now on the limitations on the use of land imposed by zoning. If John Jones wants an acre protecting his house, he is laying claim to something that cannot expand in size. Since land, in George’s analysis, is forever limited, it must be thought of and treated as common property. And therefore the rental value of one acre should constitute a tax (the single tax) on the person who sequesters it for himself.

A strong case can be made for the amenities of zoning laws. But they have an effect on the availability of housing, and on its cost. One result is that housing costs are increasing faster than inflation.

But is the Henry George factor likely to be espoused in political platforms? It cannot happen soon because too many interests are vested in zoning laws. But sharp political eyes should be trained on the question, in search of a viable formulation designed to fight against homelessness for grandchildren who cannot be expected to pay the projected cost of housing.

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