

Hey, this is Ezra. I am still out sick, but I'll be back on Tuesday. I am thankfully and finally on the mend. Until then, we're re-airing one of my favorites from last year, this episode on the cost and crisis of housing with urban economist Jenny Schoitz. Enjoy. I'm Ezra Klein. This is the Ezra Klein Show. If you've been listening to the show or reading my columns lately, you know I'm circling this question of why liberalism so often fails to build. Most of all in the places liberals hold the most power. And there's no more damning or central example of this failure than housing. The five states in the US with the highest rates of homelessness are New York, Hawaii, California, Oregon, and Washington. The blueest states in the country, not one red state on that list. And they are consistently unable to build enough homes at prices people can actually afford. And at the core of that failure is the failure to build enough homes full stop. And that means working class people can't live where the wages are highest. They can't live where the opportunities for them are most promising, where the safety nets are most expansive. That means people who might want to live in say states that guarantee abortion rights can't afford to. That means a state like California that prides itself on all of the green energy infrastructure it's building is pricing people who would want to live in that infrastructure into states where they use more fossil fuels or it's pricing people into parts of California itself where they have to drive much further into work. Housing is fundamental when you fail to provide it that failure reverberates throughout society. It lays waste to all your other carefully laid policy plans and ideals. Few understand the ins and outs of America's housing system or systems like Jenny Schoetz. She is a senior fellow at the Brookings Institute and she's the author of the new book, *Fixer Upper, How to Repair America's Broken Housing Systems*, which is one of the clearest overviews of America's housing policy failures. And just its housing policies that you'll find. But reading it a much deeper argument struck me throughout. This is very much a book about when democracy works and when it fails. It's almost a cliché to say that the government that is closest to the people is the government that governs best. That a strong democratic culture is one where the people most affected by a decision have the most immediate power over it. And what she's saying is that this system, what we often imagine to be the essence of democracy, it is failing and it is failing worst in the places where it often looks to be operating best. It's a pretty profound set of questions, not just for liberals, but for anybody who thinks about political systems to grapple with. As always, my email is replancho at NYTimes.com. Jenny Schutze, welcome to the podcast. Good to be here, Ezra. So you argue that the very phrase, housing crisis is a bit of a misnomer that we're actually facing overlapping problems, overlapping crises with very different solutions. Tell me how you break it down. Sure. So the easiest way to think about it is that there are two housing affordability problems. One is that in high cost metros, places with great job markets like San Francisco and New York and D.C., we haven't been building enough housing to accommodate population growth and job growth for something like the last 30 years. So this is just a classic case of we haven't allowed housing supply to keep up with demand. There are a bunch of high paid workers who want to live there. They've driven up the cost of housing and we've created a bunch of rules that make it impossible for supply to respond to that. So that's in some sense a localized problem, but in places that are really important to the national economy. And to the media

specifically. Yes. Very important to the media, to policymakers, to people who go on podcasts. Get a lot of attention to this. Exactly. Exactly. The other problem is actually nationwide end scope, but it's focused on the bottom 20, 25% of households by income. The poorest households everywhere in the country spend more than half of their income on housing costs and that leaves them too little money left over to pay for things like food and transportation and healthcare. That's not because of a lack of housing. That's because incomes are very low and specifically incomes are too low to pay for what we can think of as the operating cost for minimum quality housing. So landlords have to collect some amount of rent to pay the mortgage and the property taxes and keep the lights on. They're a bunch of people who simply don't have enough income to pay that. And so they are stretched, trying to afford decent quality housing everywhere in the country. So we're going to dig into both of these problems, but I want to touch on some of the ways that the housing issues we have defy some of our political intuitions. So I think in the 30,000 foot view of American politics, you have Democrats who care a lot about the homeless, who care a lot about homelessness, any of Republicans who think you should pull yourself up by bootstraps. If you look at the five states with the highest homelessness rates, it's New York, it's Hawaii, California, Oregon, Washington. Why are they all blue?

Well, I don't think we'd want to say that the causation runs from democratic places have high homelessness necessarily. Part of this is that those are all places that have very strong demand for housing. And so they would have a lot of high income people who want to bid up housing. That's true in some of the red-leaning states as well, but it's particularly true in those high-cost coastal states. But it's also true that many of the democratic administrations at the state and local level have imposed a lot of rules on the construction process that make it difficult to build housing. And they've done this in some cases based on progressive things like we want to protect the environment, or we want to give voice to people in the community and let them weigh in on what happens to their neighborhood. But the downside has been it makes it really hard to build, and especially for supply to respond to this increase in demand. So blue places have chosen to make their housing supply inelastic to use econ speak. And red places, by and large, have allowed housing markets to continue functioning and for supply to respond when there's an increase in demand. Can you say another word on that point you made about voice? Because I think it's very important here. You suggested we don't want to think that the correlation is directly democratic governance to bad housing policy, and I agree with that. But I do think there are subtle connections here, and one of them might be the way different places and different governing coalitions think about voice and think about local control.

Yeah, there's a pretty strong belief really since about the 1960s that people should be able to weigh in on what happens to their neighborhoods and their communities. And a lot of this does come from a progressive reaction to sort of overreaching federal government. Things like the highways that went into big cities and tore down black and Latino neighborhoods, replaced them with highways. And the people who lived there before didn't get a chance to stand up and say, this isn't fair. We want to keep our homes. This is going to be very polluting. We're going to be displaced. So there's a reaction to that saying communities, particularly low income and non-white communities, should have more of a say before there is

some sort of big project that comes into their neighborhood. They should have a chance to stand up and give an explanation about why they want to keep their community, and they should be heard. And so that comes from a good impulse. But in some senses, it's now been sort of the impulse to give communities control has been weaponized by wealthy white communities, which then used us to say, you can't build apartments and low income housing in our wealthy neighborhoods, which doesn't wind up benefiting the people we were worried about in the first place.

So I want then to circle back to the second crisis you talked about. I'm going to hold off on the question of housing supply for a little bit. That for low income Americans, housing is unaffordable almost no matter where you live.

So tell me first a bit about how we make that calculation. How do we just think about the question and measure the question of housing affordability?

The standard way that HUD, the U.S. Department of Housing and Urban Development measures this is by looking at how much of your income you spend on housing. And so the standard benchmark is that people should spend about 30% of their monthly income on housing. So that's the rent or the mortgage utilities or all in housing costs. If you spend more than 30%, HUD says that you are cost burdened. And if you spend more than 50%, they say you are severely cost burdened.

So the 30% economists quibble over a little bit, but it's really hard to imagine that most people want to spend more than half of their income on rent. And especially for low income households, this leaves them with about \$400 a month to pay for everything else.

So if we use something like the Census Bureau's supplemental poverty measure, it tells us \$400 a month is not enough to buy groceries and put gas in the car and put clothes on your kids back. So these are families that are deprived of basic needs because so much of their income is devoted to housing costs. And the choices that they're making, if they don't pay the rent, then they get evicted and become homeless. So they pay the rent first and then fall behind on other things or wind up going without other things that they need.

And what percentage of people fall into that category?

So for the poorest 20% of households, they're spending over half of their income on rent.

So most poor households are cost burdened, if not severely cost burdened. Once you get into sort of the next 20% up, it's much smaller. And once you get into middle income households, very few people are cost burdened. And the ones who are, we essentially think of this as a matter of choice. So maybe you choose to live really close to work so you don't have to own a car. But this is basically an endemic problem for the poorest 20% and almost non-existent for middle and high income households.

And what do we do to help them? People have probably heard that there's a program called Section 8 Housing Vouchers. If they've not been on them themselves, they may know they're out there. Why haven't they simply solved the problem?

Because Congress doesn't spend enough money on them. Housing vouchers are actually one of the most effective anti-poverty programs we have. It's essentially a federal voucher that households receive. They can rent an apartment on the private market. They spend 30% of their income, whatever dollar value that is. And the federal government picks up the tab for the rest of this. So that's actually a very effective way for poor families

to be able to rent a place to live that's decent quality without having to spend more than we think they should on housing costs. The problem is, housing vouchers are not an entitlement, meaning that not everybody who is eligible for it receives it. And in fact, only about one in four or one in five poor households gets any kind of federal housing assistance. That's very different than something like food stamps or Medicaid where everybody who is eligible automatically gets it. Congress just has chosen not to put aside enough money in the budget to give housing assistance to most poor people.

So let me voice a critique you'll hear from my conservative friends, which is, oh, things like this don't solve the problem anyway, that if you just give everybody a voucher or a check or a subsidy, all that's going to happen is it landlords or other kinds of housing suppliers are going to pocket that they're going to increase prices to take on the subsidy or the subsidy won't do much at all because people don't want the folks who would use a subsidy living in their housing. How do you think about that?

It's almost certainly true that if we gave every household in California housing voucher that it would not solve the problem because there aren't enough apartments to go around. And so lots of people either wouldn't be able to find an apartment or landlords would just raise the rent accordingly. So if you have 20 people applying for an apartment, 19 of them aren't going to get it even if they all have vouchers and can pay for it.

But if we think about places like Baltimore and St. Louis where there are lots of homes, in fact, there are more homes than they need because they've lost so many people over the last 50 years. There are places to house people. People just don't have money to pay for it. So in some parts of the country, giving people vouchers or just giving them cash would actually solve the problem for poor people. In the supply-constrained places, we have to do both. We have to give

poor people money. We also have to build more homes so that there are places for people to go.

Let me ask a naive question here. There is a lot of the country where we have functionally depopulation problems. We built a lot of infrastructure, built a lot of housing at times when these places were vibrant. Think of a Detroit, think of a Baltimore, think of a Cleveland. And over time, because of the industrialization, because of white flight, because of all kinds of things that happened, we now have too few people to support the kind of city that we've built for. And so you could imagine pretty simple and it seems win-win solutions. You got a lot of homeless people in California, help them get a home in Detroit. You hear this argued for immigrants in particular. You should just be able to get a green card if you're going to come and buy a home in a place where we actually need people buying homes so we build up a tax and population base. Is there anything off in that line of thinking? Do we just have a distribution of people problem?

Well, there are a couple of problems with trying to just pick up all the homeless people in California and move them to Detroit and St. Louis. One is that a lot of them...

I don't mean we should pick them up. It's more of an option, a voucher, a possibility if you want.

Buy them a bus ticket. I think Ed Glazer's recommendation after Katrina was we should give everybody in New Orleans a bus ticket to Houston and let them go start over.

Right. That's the kind of thinking I'm referring here to.

So one problem is that a lot of the homeless people in California are employed. They have a job. They have family. They have networks. So they have a life there, but they're living in their car because they can't afford to pay for an apartment. So we could give them the opportunity to move someplace like Detroit or St. Louis where housing is cheap and give them a voucher, but they would have to go find a job and rebuild their networks. Right. And social networks are really important for everybody. You've got family and friends and people with kids rely on siblings and parents to provide childcare. So if you move a person away from their social network, they're going to have a hard time rebuilding all of that. Right. And I think we could give people money and tell them their places in the country where housing is cheaper that also have jobs and we can help you find a job if you want to move there. But it feels really uncomfortable to suggest that all of the poor people who are homeless in California should have to break off their family ties and move someplace when we don't require that of anybody else.

So this to me is a very important place where the two crises connect because something you'll hear if you're around housing politics in California and if you're around people who are opposed to some of the more sharp increases in supply that the people like me want is that look, not everybody is guaranteed the opportunity to live in California. But the point you're making here, which I'd like you to draw out a bit is that there is a genuine issue when you restrict supply in the places in the country that have the most jobs, that have the highest pay, that have the most opportunity, that that's where this becomes not just a housing problem, but also an inequality problem, a justice problem, an opportunity problem. Can you talk a bit about that interaction effect between housing supply and the most dynamic spots in the international economy?

Sure. And we can start with kind of the most macro and abstract version of this, which is that not building enough homes in the parts of the country that have really strong job markets that are very creative and productive companies actually hurts the GDP of the entire country. So there are a couple of economists who have estimated that GDP is about 36% less than it should be over the last several decades. This is nationally because we haven't allowed people who say grow up in Cleveland and want to work for a software company. They should have a chance to go to the Bay Area, work for a Google or a Facebook, and then go start up another company. So if you think of all of sort of the new jobs that would be created, the new knowledge, the gains to the whole economy from that happening, some of those people weren't able to move to the Bay Area and get in on the ground floor because housing was so expensive. So we've effectively lost a bunch of innovation, a bunch of creativity, a bunch of jobs that would benefit all of us because these very productive places refuse to build enough housing, right? And if we think about the opportunity level, go down to kind of the metro area within metros like San Francisco, but even places like Dallas that build enough housing in general, the highest opportunity neighborhoods tend not to build that much housing. So if you live in the Dallas metro area and you want your kids to go to one of the great suburban school districts to someplace like Highland Park, you have to be able to afford to buy a house or rent a house in Highland Park, right? And so the high opportunity places, both metro areas across the country and neighborhoods

[Transcript] The Ezra Klein Show / Best Of: Why Housing Is So Expensive — Particularly in Blue States

within metros, aren't building enough housing. And that means there's essentially gatekeeping access to things like public schools, jobs, transit, all of the amenities that people want.

They simply won't allow you to move there if you don't have enough money.

I want to hold on that point about the fractal nature of this dynamic. So we started it at one level. Nationally, if you look at a lot of the very high growth, very high opportunity places, they seem to have a housing supply problem that other places don't. But then you're saying something also here, which is if you look within that very place, right, within a San Francisco, within a Washington DC, within a New York City, you find that the richer neighborhoods are not allowing building. And to the extent building is allowed, it is in the poor neighborhoods. I lived in Washington DC for about 14 years. And there's a lot of demand to live in that area. And it is very, very, very, very, very hard to build in Georgetown. But you could build in Trinidad. Can you talk a bit about that dynamic within cities or metropolitan areas?

Yeah. So the controls over housing production are set by local governments. They have things like zoning rules and building codes and environmental reviews. But it's actually even more hyperlocal

than that. Individual neighborhoods get a lot of power over what gets built or not built in the neighborhood. And that's particularly true for affluent, college-educated neighborhoods, because people know all of the right political levers to push and the legal levers to stop development that they don't want. So Georgetown is a great example. It's a very affluent neighborhood,

has some of the oldest housing in the city. They have layers of protection, right? So first of all, they outlaw apartments on most of the land. They also have used historic preservation so that you can't tear down the stuff that's there and replace it with taller, bigger buildings. And the residents are very politically connected, and they will sue developers who try to build there. Most developers don't even bother because they know it's just going to be a nightmare process. They're going to spend a ton of money and never get permitted. So rather than try to fight the neighbors in Georgetown, developers go to some place like U Street or Waterfront, where either there aren't that many neighbors so far, or where neighbors aren't as engaged and are willing to allow them to build. So we get really uneven development patterns. You should say that developers aren't building in the poorest neighborhoods. So in Washington, D.C., east of the river has only recently started getting more activity, and a lot of that is subsidized housing. But they go to middle-income neighborhoods that are close to the rich neighborhoods where they want to build but aren't allowed to. And this interacts with the gentrification question, which is a really, I think, difficult part of the politics of all this. So can you explain what people are talking about when they talk about gentrification and how you will understand it within the context of this dynamic?

Yeah, gentrification is a really loaded term, and not everybody uses it to mean the same thing. But sort of probably the standard understanding is that it's a change in the neighborhood where it's getting more affluent, usually an influx of, say, college-educated households. Often it's used to describe specifically racial change, although we've seen neighborhoods like Harlem that see an increase in income but stay majority black, for instance. But a change in the people who live in the neighborhood usually accompanied also by visible changes in the housing. So this

may be rehab of existing homes that become more expensive and nicer to look at, new construction, new kinds of stores and restaurants moving in. So gentrification is sort of used as a catchall for all of these different things, but the neighborhood changing and becoming more upscale. Well, I think it's also more than that, though. Within the politics of gentrification, as I understand them, and you see them everywhere I have lived, where I have watched housing politics, I've seen this play out, which is you'll have people stand up and say, we should build more housing, we should allow more development, we should bring in a big mixed-use development right here. And other people will say, particularly in these mixed-income neighborhoods, you're going to do that and you're going to price me out. That I think if you've been listening to our conversation so far, you might hear this as a traditional issue of rich versus poor or rich versus middle-class politics. But it doesn't read that way to many people in these actual neighborhoods. A lot of the blocking coalitions for new development actually include poor people, actually include middle-income people, because they feel that what's going to get built are these luxury condos, which are going to increase property values. And then the person to say that they're renting from is going to jack up the rent beyond what they can pay, and they're going to be kicked out of the neighborhood. And so instead of an increase in both supply and quality of housing, helping them, an increase in supply and quality of housing is going to kick them out into another further out jurisdiction. And they're not even wrong. I mean, this definitely has happened to people. So can you talk a bit about it from that perspective, from that set of concerns? Yeah, and I should say that this is a tough area to kind of reconcile people's lived experience if you've been in a neighborhood that's going through this process with what we know from the academic research, particularly by economists. So I should say, first of all, that the sort of perception of developer coming in, tearing down some old buildings, maybe some old apartments that are relatively cheap and replacing them with big fancy new apartments or condos that are expensive, that's actually pretty late-stage gentrification. By the time the developer wants to do new construction in your neighborhood, property values and rents have probably already been going up for a decade. And you've already started to see and change in who lives in the neighborhood before it gets to that point. So the early-stage gentrifiers tend to be somebody who buys an older, poor quality house, moves in and renovates the house and lives in it, but that's not nearly as visible as a giant new apartment building going up. And developers don't come in until after you've had a bunch of this sort of rehab. So the forces are already there before people see something and start protesting. What we've seen from some of the recent academic literature is that in neighborhoods where you get big new construction projects, that actually helps keep the rents down. So the new construction comes in, that building is expensive, but the existing buildings in the neighborhood are cheaper because there's now additional supply. And we have a number of studies in different cities that look at this, but that's a very hard and sort of counterintuitive thing to say to somebody who lives in a neighborhood where they're seeing a big new property go up and they see that it's more expensive than their home. And some of them will have their rents go up, right? So it's not that all rents in the neighborhood fall immediately with new construction, but on average, rents are slower or fall by more because there's new construction relative to that same neighborhood if you didn't allow any development to happen. Even if you believe pretty big increases in supply are good and I tend to do so,

it is a case that they create disruption, they do create dislocation, things do change. And this is a connection I wanted to draw to our earlier part of the conversation on the fractal nature of these development restrictions, which is that if you take a given city and it's basically impossible to build anything, to get past the blocking coalitions and the political power in the richer neighborhoods, but it's not impossible to do that in the middle income neighborhoods and ultimately in the poorer neighborhoods, you can have real concentration of change, of dislocation, of political conflict even in those neighborhoods in a way that I think is very frustrating to people. Can you discuss that a bit?

Yeah, that's exactly right. And DC is a great example. So something like 80% of our new development in the 2010s happened in a handful of neighborhoods, many of them that weren't residential before. So they were sort of big industrial parcels or land owned by the federal government. So they're these neighborhoods that are completely transformed where you have practically

a new city, housing and retail, public space, but they look completely different than they did. And then large swaths of the city have not changed at all. They've built no new housing, the existing housing is more expensive and may be occupied by richer people, but physically, they haven't changed very much. So your perception of whether there's growth and what that does to

rents depend a lot on where you live. One way to think about this is the best way to prevent gentrification and displacement in poor black and brown neighborhoods is to build a ton of expensive new housing in the neighborhoods that are already wealthy and white, except we can almost never do that. And so you want to kind of have people who want to prevent gentrification should be lobbying to upzone Georgetown and Ward 3 or the rich parts of San Francisco, but the cross city politics doesn't really work that way. I want to talk about, I've been trying to think about what part of the conversation to bring this in on and I'm going to do it here and weave in and out of it. I think the argument you're making here is a pretty profound argument about small-day democratic politics posing as an argument about housing. And what I mean by

that is this. It is almost cliché to say the government that is closest to the people governs best. It is cliché to say government should be responsive to the people who live there, to the constituents. It is cliché to say that the way a strong democratic culture should work is that the people most affected by decision should have the most power over it. And what you're saying is that that is failing at a very deep level and it is failing worse in the parts where it is most deployed. So you have in this respect, you have more small-day democratic cultures where the constituents have more power and access to their representatives in these richer neighborhoods. They have time, they have the knowledge base to navigate the system, they have connections, they can they can actually be heard. And what you're saying there is you're getting the worst outcomes. So how do you think about that? How do you think about the tension between some of what you're saying has happened here and what you might think of as classical theory of and what you might think of as classical democratic theory?

So I'd say there are two ways to think about this. One is that what looks on the face of it like small-D democratic process, that people get to engage in their local government and make their voice heard is not actually that democratic, it's not representative. And we know this in part

from the work of political scientists who have looked at the characteristics of people who show up to a neighborhood meeting. So think of a neighborhood where there's a specific proposal on the table to build some new apartments, you have a neighborhood meeting and people show up and they say, yes, I like this or no, I don't. The people who show up to that neighborhood meeting for five or six hours on a Tuesday night tend to be older, wealthier, wider, more likely to be homeowners than people who live in the neighborhood overall. So we know from observing this that this is not in fact representative and small-D democratic. There are some people who live in the community who have more free time, especially older retirees who have more comfort with the political process and are highly invested because they own homes in the neighborhood, they will push back against this. Whereas a lot of people who are directly affected by that in the neighborhood, they have jobs, they have kids, they can't come to the meeting or they feel uncomfortable doing it. So it looks like small-D democracy isn't and we have kind of kitted ourselves into thinking it is. The other way to think about this is making decisions at a hyper-local level, at the neighborhood level or even at the city and town level, doesn't take into account the spillover effects of where we build and don't build housing. The people who live in the neighborhood

are going to be affected by construction and potentially by displacement or changes to their property values, but the whole city is also going to be affected by whether housing gets built and where it gets built. The whole region is affected by whether or not there's housing for people at different income levels. So if a region doesn't build enough housing to accommodate people who are baristas and firefighters and childcare workers, the region's economy doesn't work well. And then we have climate spillovers as well. So if the only people who were affected were the people who lived in that neighborhood, it would make more sense that they could have veto power. But there are a ton of people who are impacted by our development patterns who don't get a voice at all because they don't live there and don't get to show up and voice their opinions. So I think all that is true. And on some fundamental level, I also don't know that it solves the tension or the problem that is emerging here. And so I'm still working out these ideas myself. So let me try this on you. I've been reading this book called *The Paradox of Democracy* by Zach Gershberg and Sean Illing. And it's about democracy and communication and media, but there's

something they say about democracy that I think is very relevant here, which is that, quote, it's better to think of democracy less as a government type and more as an open communicative culture. Democracies can be liberal or illiberal, populist or consensus based, but those are potential outcomes that emerge from this open culture. And I think this idea of thinking about democracy as a culture of communication is really powerful because the move I often hear in this conversation, a move you're making, and that again, I think is true on some level, is to say that what is happening in these local democracies is non-representative, that if you took a poll, the poll would not show up the same way as the people who show up in the meetings, that if you certainly were able to do a poll of the people who didn't live there yet, it would be even more different still. But democracies aren't polls. They're not surveys. They're cultures and their systems. And I think in some theoretical way, the way we believe they are supposed to work is almost the way they work in Georgetown, where people really do have access.

They really can when they feel strongly go. And the more advanced the culture gets, the richer it gets, the more we build systems for voice for that kind of representation that are, and then the analysis of me and you, very vulnerable to capture, very vulnerable to loud voices that want to protect the status quo. But I think that's a way of saying at some level that there is something very wrong with what happens in democracies as they develop to a certain point, that there's a real deep, dark downside to that culture of voice that we can justify with very high-minded ideals. But at some point, instead of pushing forward these ideas of pluralism and equality and so on, it actually becomes tools used to protect one's own, I don't want to say privilege, but one's own position in society or the things they're comfortable with. Yeah, I mean, I think there's some places where democracy looks more like direct democracy. And that's really what we're talking about is citizens or residents showing up and expressing their view on individual kind of development choices, policy choices essentially as they happen in real time. But of course, most of our country operates as a representative of democracy. We elect people like mayors and city council members and county supervisors who get to set the policy decision for some level of government and they appoint a head of the department of city planning who comes up with the zoning and implements this. And so in a sense, we don't in fact have polling on a lot of individual projects. That's something that I think maybe would actually help with some of this to show if there's a majority of people who want there to be more apartments and the apartments don't get built, then that's somehow a failure of the larger democracy. But also, people have made decisions to elect officials. In California is a great example. The state has elected a bunch of people to the state legislature and arguably the governor who have said that they want to build more housing and expand supply. And this is important to deal with things like homelessness, which have big spillover effects. And so if a majority of voters have chosen pro housing elected officials and then they get to the state house and they try to adopt a bunch of legislation that in fact makes wealthy places build more housing, that seems like that's democracy working in the sense of voters have made their preferences known. And then the holdouts, the people who have really deep personal and financial interests in protecting their neighborhoods, who show up and push back against this, that is anti-democratic. Hi, my name is Sandra E. Garcia and I'm a reporter at The New York Times. I write for the Stiles Desk where we try to understand our complicated world by keeping up with culture. We want to bring you clarity and let you know why things are trending, like with my story about knotless braids. I went to different salons in Brooklyn and Manhattan where the style is overbooked. We want to take you to the forefront of cultural shifts so that when you do see the former First Lady Michelle Obama wearing her hair differently, you know why. And that's what we do. We add another layer to a moment in culture. Our subscribers make this kind of coverage possible so The New York Times can continue to highlight the stories that go beyond breaking news. Help us keep a pulse on culture by subscribing at [nytimes.com slash subscribe](https://nytimes.com/subscribe). Another place where I think there's an interesting tension here is there's a view that democracy is the handmade end of experimentation, particularly when you have highly federalized, highly localized decision making as we do. That what democracy allows compared to other systems is a lot of different kinds of systems to flourish and we can see what works best.

But what is really striking reading your work and looking at housing is actually how little experimentation is possible. And this estimate you make really, really is wild. That it is illegal to build anything except single family detached houses on roughly 75% of land in most cities today. Can you talk a bit about what it was legal to build from a housing perspective 75 years ago routinely and what it is legal to build now? Yeah, we used to build a lot more different kinds of structures in a lot more places and it wasn't a big deal. So zoning became widespread in cities starting in about the teens and twenties and then sort of growing, covering most of the country by about the 1940s and 50s. If you go to any city that has neighborhoods built in the 19, early 1900s to about 1910, you'll see much more diverse housing stock in those older neighborhoods.

You'll see single family detached homes, row homes, apartment buildings of various sizes. You also see a lot more commercial activity mixed in. So having a neighborhood grocery store and a neighborhood coffee shop in virtually every neighborhood was just typical. So we used to build very diverse neighborhoods in terms of physical structures and uses, which then accommodates a diverse set of incomes and residents. And then zoning came along and we essentially said, yeah, all of that stuff is illegal. So in fact, a lot of cities that have these diverse neighborhoods, the housing that lives there now, the apartments and townhouses that are in mostly single family neighborhoods, if that burned down, it would be illegal to rebuild it. We've essentially outlawed the stuff that already exists in a lot of homes. Some place like Cambridge, Massachusetts is a perfect example. The vast majority of parcels in Cambridge, Massachusetts have what are called non-conforming uses. So the structure there is in violation of current zoning laws, either it's too tall or too close to the street or a structure that's illegal. If most of the houses that already exist in your city are currently illegal under zoning, it sort of raises questions about what the zoning is trying to do. It's such a good point. But I want to go even further with it, because I think the way you frame that is also the way it is often framed in our conversation, which is single family houses versus duplexes or fourplexes or a home with an in-law unit. But a point you make and a point many other people make is that housing was also much more diverse even than that. You write that the expectation that each person or nuclear family must have a completely equipped kitchen and bath is relatively recent in human history. When I was in college, I lived in a dormitory. There was one bathroom for a lot of people. It was a little gross, but it was also totally fine. If you read 19th century or 18th century American history, you constantly have even fairly rich people or people who become rich in that era. They're living in boarding houses. They're going around staying in these weird, you know, multi-living situations. And you can say a lot of things about, I know somebody who works on communes. It's very, very hard to build communes now. We used to have ways that you could put a lot of people in a smaller amount of space. And we have made that illegal in a lot of places, and we say that it's for people's own good, but what we have is a lot of tending campments. So what about those kinds of housing possibilities? Yeah, we were a lot more flexible with how people lived, not just on things like zoning, but on things like building code. So the boarding house that had one communal kitchen and meals got cooked and everybody had essentially a bedroom, but you all ate your meals together or ate out of the restaurant all the time, that was very typical. And certainly, early cities, workers

moved from farms to cities, and they all just rented a room in a boarding house, and that was pretty much the option. It was much, much cheaper. I think there's a question about how many middle-class people would like to live in an equivalent kind of setup today. But what we've essentially done is say middle-class preferences for having nuclear families and having your own kitchen and bath, that's the only housing structure that's allowed. And poor people who are currently living in their cars or living in a homeless encampment or on the streets aren't allowed to live in a smaller unit that we consider not up to standards. So we've imposed this minimum

quality and minimum size on all housing, which really hurts people with these very low incomes who can't afford that. We don't give them the option to live in lesser kind of conditions than middle-class families would want. One of my favorite examples of this is there's a proposal to build some apartments in DC, underground apartments. And so they would dig down, these would be below-grade apartments and they might have an air shaft or something, but the neighbors around it say, well, that's terrible. You can't possibly allow people to live in underground apartments that don't have natural light. It's like, if you were living in a car or on the street, an underground apartment with no natural light might sound like a pretty good deal.

Why shouldn't we let people choose that? And why did we move away from that? So Matthew Glacius,

who's a writer and my friend who focuses a lot on housing issues, recently did a newsletter on some of these ideas. And his argument, looking at some documents from the mid-20th century, is that this was really a way that middle-class or even richer homeowners and homeowner associations

were trying to get people they didn't want out of their communities that was fundamentally exclusionary. Is that your view of the causal mechanism here?

It's mostly about exclusion. And we can't talk about exclusion based on income without also talking about exclusion based on race. So all of the restrictions that limit housing for very poor people wind up being hardest for black and Latino households who have lowest incomes.

So some of this is just blatantly about exclusion. We don't want, particularly we don't want, things like single-room occupancy hotels and boarding houses, because they attract concentrations of poor people and middle-class voters and homeowners don't want that in their neighborhood.

We shouldn't sort of discount. There certainly are some health and safety reasons for some of the regulations that we have. Things like not wanting to have lots of people living in a shared space, overcrowded spaces as we saw with COVID are not great ways for people to stay healthy when

they're communicable diseases. You can overload a house relative to things like the electrical capacity and you wind up having higher risk of fires. So there are some reasons why we have some of these rules, but an awful lot of it comes back to we don't want to provide housing for very poor people in places where non-poor people live or work or spend their time.

I want to draw out an argument that you make in your book that I think is really valuable and that people don't talk about that much, which is that there's a connection between our housing crises and the decline in investment in social infrastructure.

And I'll give it an example. There was recently a fight in New York over a big development that is getting blocked. And one of the local politicians who was against the development made

this argument that, well, if we put all these people in there, we don't have the parking, we don't have the streets, we don't have the subway capacity, and so it's going to create a lot of congestion. And not really my view that that is a good argument, but I think it is true that over time, if you haven't invested in non-housing infrastructure, then people do have a more reasonable fear that if you suddenly increase the amount of housing, the infrastructure can get overloaded. So can you talk about the role of non-housing infrastructure in housing politics? Yeah, more homes means more people and they use public services of all kinds. So parking and space

for cars is one of the classic examples. But of course, the other big one is schools. If you build a bunch of apartments occupied by families with kids, they're going to go to school and you need to have spaces in schools and potentially more teachers and so forth. And local governments pay for all of this infrastructure. So local governments have to sort of figure out if we allow more location, how much more do we have to invest in public services? Will we have enough new revenues coming in from the development to pay for that? Or do we have to kind of come up with the money elsewhere to distribute this? We sort of use this as an argument to say no to a lot of housing in places that people maybe don't want it, but we don't have particularly good systems of sort of planning city-wide or region-wide. So New York City has the best public transportation system in the country. There are a lot of subway stations surrounded by pretty low density development where you could easily add a bunch of apartments and nobody would need to have a car because they're literally on top of a subway station. But we're not making the decision, aha, here is a subway station that has extra capacity. We're going to build a bunch of housing here. We're not going to build housing way out in the Long Island suburbs where you'd have to put in new streets and roads and infrastructure. In fact, most of our new housing gets added at the urban fringe where there's literally no infrastructure and you have to build all of it from scratch and it's much worse for the climate to be putting in new infrastructure. And we've got areas in the urban core that have underused infrastructure often that could benefit from having more people using it. Transportation is a great example. We've got low ridership on a lot of commuter rail lines because nobody lives in walking distance of the commuter rail station. So we're not making this sort of rational informed decision about where to build based on the costs. That's largely an excuse to say no when the current residents don't want more housing. So I want to drill in on that point about where it's good to build environmentally and where you can build. So a lot of building now happens further out in the fringe. This often gets called, at least in California, the wildland urban interface. It's these outer areas where people are moving because they can't afford to live in the cities, but you have much more wildfire risk there. They have to commute further so they're using their cars more. So it's pretty bad for the environment on a lot of levels. And at the same time, you have all these environmental laws being weaponized against development in denser areas. And I just saw the most amazing example of this. Minneapolis had passed this really important, very progressive law ending single-family zoning across the city. And a judge just brought down an injunction against it based on a lawsuit, and sorry, I really can't believe this one, based on a lawsuit brought in part by the Audubon Society out there saying that the law didn't go through enough environmental review. So can you talk about the tensions between building environmentally but then also getting over environmental reviews when building? Yeah, and this is actually, it's kind of similar to the

way we put citizen voice into the development process because there were a bunch of examples where low-income neighborhoods got bulldozed for big projects. At about the same time, there was a push by the environmental movement that you should think about the environmental consequences of building new projects. And so we should look at things like, are you building in areas with protected wildlife? Is this going to have problems with stormwater runoff? Is this going to somehow pollute the drinking water? So we should do an assessment of the environmental impacts of development. That is a very reasonable thing to expect. And so we now have a national law and state laws requiring some sort of environmental impact review. But what's happened over time is that they have become very broad. So the environmental impact is not just on the physical environment. It's things like noise and traffic and congestion, which are really quality of life issues for people who live there. And again, what we do is we analyze a proposal to build in a place. Are there going to be any negative consequences to anybody from building here without thinking about sort of the flip side? If we don't build here, what are the negative consequences? So if we don't build in places in the urban core and the development happens in these very wild prior prone areas in California and Colorado and so forth, what happens when we build in places that are closer to wildfires? That's actually much worse. But our environmental review laws aren't set up to do sort of a cost benefit of building in one location versus another. It's just if you can prove any kind of damage of the project that's proposed in a particular location, you can use these laws to shut it down. We seem very well set up to ask what are the costs and consequences of action and very poorly set up to ask what are the costs and consequences of inaction. If you propose to make some big infrastructure change or build a large development, you can spend a lot of years fighting out and simply analyzing what that will mean. At the same time, there's no law that can be brought that forces a similar difficulty for the status quo. I mean, if the status quo is untenable or worse, there is nothing that forces it to change. And so you have a pretty profound, it seems to me, in the way we've developed our laws, a symmetry between the scrutiny we bring to changing anything and the scrutiny we bring to not changing anything. Yes, we have stacked the system entirely in favor of the status quo. And that's not a coincidence. People who benefit from the status quo want to keep it that way. And so they, and to a large extent, they have political power and have written laws that protect things as they are. The people who would benefit most from changes, particularly large-scale changes, making it really easy to build apartments and transit projects in high-demand locations, the people who would benefit from that don't have that much political power and voice and haven't been organized. And so they get shut out. There's also a question here that is in the background, I think, of a lot of housing politics, which is we've really, through policy, and I'd like to talk a bit about which policies, but we've really pushed housing as the engine of middle-class wealth. We have really pushed people to stock a ton of their money and wealth and long-term financial security or intergenerational financial security in homes. And so that also creates a politics where people are very, very nervous about anything that might negatively affect their home valleys.

[Transcript] The Ezra Klein Show / Best Of: Why Housing Is So Expensive — Particularly in Blue States

How does that play into all this?

That's a huge part of it. The federal government has made a bunch of deliberate policy choices to encourage homeownership as a form of wealth building at the exclusion of other kinds of wealth building. So when you buy a house and you take out a mortgage, you can deduct the mortgage

interest you pay from your federal income taxes. When you sell your house, the value of the house has gone up. You don't have to pay capital gains on the increased value of the house.

That's not true for something like putting money into a stock portfolio. So we've created, particularly through the federal tax code, a bunch of incentives to encourage people to use home ownership and home equity as their primary engine of wealth. This is particularly true for middle-income families who don't tend to have big stock portfolios. And then people become very protective of this. So there's an economist called Bill Fishel who wrote a very influential book called The Home Voter Hypothesis, which essentially says that homeowners become single issue voters

based on protecting the value of their property because it's such a major investment.

And you sort of bundle with that, people care about the characteristics of their neighborhood, but that incentivizes them in the same way to resist change that could lower their property values and or change their daily quality of life. And this becomes an enormous political block at every level of government. They don't even have to have an organized pack because they're all just aligned on their incentives. They show up, they vote, they write letters to their city council members and their state legislators, and they drive a lot of the policy decisions and make it very difficult to change any of the policies that have locked in this system.

We're talking about a lot of policies at every level here from our mortgage deduction to our federal reserve policy to the way local zoning decisions are made in this country that are American. And so I also think it's good as a reality check to ask, well, is this a distinctively American problem? So if I were to look at peer countries, if I were to look at Canada and the UK and Germany and France, how much would I find that the housing problems we're having here are

mirrored there? And how much would I find America looking like an outlier? Some pieces are definitely

mirrored in the other kind of Anglo countries. So Canada, the UK, Australia look fairly similar to the US. They have some similar kinds of policies. We see some big differences. So Germany is one of the very few majority renter rich nations. So more than half of German households rent their home. And if you look at their federal tax policy, they have exactly flipped the mortgage interest deduction. If you own a piece of property and you rent it out, you don't live in it yourself, but you rent it to somebody else, then you can deduct the interest from your federal income taxes, but you can't do that if you live in a house that you own yourself, right?

So that's a really nice little sort of trick. You flip the income tax code and it turns out you create an incentive for a bunch of people who own a house to create essentially an in-law apartment, an accessory dwelling unit, live in the rental unit and rent out the main space to somebody else for rental income, right? France is an example of a country that has invested much more in social housing, not just for poor households, but for middle income households.

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So they have spent a lot more money. They guarantee housing assistance to all poor people. They have funding companies, private companies pay into this social housing fund so that there's a continued stream of money to pay for this. They have worked very hard to build more social housing

in high opportunity neighborhoods and to have mixed income social housing that's not so segregated.

So these are all policy decisions by countries with similar kinds of income and similar rule of law systems, but they've chosen to set up some of their policies to be more renter friendly, more friendly to low income households and less dependent on this sort of traditional owner occupied model. So that's really interesting on a couple levels. Let me start with Germany here

because in addition to just being a fascinatingly different policy equilibrium, it strikes at something in our culture around housing, which is we really make the argument that we should encourage home ownership because home ownership creates a better citizenry. It creates people who are invested in their communities who and in fact it does seem to do this who show up and talk at community meetings, but it stabilizes people, stabilizes families that you will have a better polity, a better social culture if you have more home ownership.

Now, Germany doesn't seem to me to be a terrible social culture, at least not modern Germany. So does that suggest that we've gotten something wrong in the idea that you're going to have a better macro citizenry if you have very, very, very high rates of home ownership?

Yeah, we've very much been brainwashed into thinking that home ownership provides stability that rentership can't, but it depends on how you structure rental markets. So we think of renters as being very transient people who move in and out, younger households, they're not engaged

in their community. They don't put down roots, but that's not true of all renters. So lots of people will rent an apartment and stay in the same apartment for long periods of time. You can have very stable long-term renters who are engaged in their community and committed. It's not a question

of being an owner or renter. A lot of it is about the predictability of your housing costs over the long run. What home ownership does is give you predictability over what your monthly payments will be for a very long time, which most renters don't have, but we could create that sort of long term stability of payment for renters, which would allow them to stay in neighborhoods for longer and to put down roots and be part of the community without being pushed out by financial circumstances.

And then something you were getting out on France, which is interesting to me, France is a lot of public housing. 40% of renters in France live in public housing. Singapore, nearly 80% of housing is built by the federal government. Public housing in this country has a terrible reputation. Is that reputation deserved first? And is it inevitable? Could public housing be part of the answer here? So a lot of our bad reputation of public housing dates back to sort of the 70s through the 90s. There were some very bad periods of public housing where a lot of the housing was in poor quality, had very high crime rates, not in good neighborhoods. So public housing was intentionally located when it was built in poor neighborhoods that were not close to areas of opportunity, right? So we chose to build it in the worst possible neighborhoods.

We chose to make public housing available only to the poorest people. So you segregate poverty in often very, very large properties. And that turned out not to be great for the people who lived in it or for the surrounding neighborhoods. In the 90s, we went through a period of tearing down a lot of the really bad public housing, very dangerous places and dispersing them. That's still a controversial decision. But as a country, we have not provided public housing well. We made decisions like Congress gets to vote on the amount of funding every year for the maintenance and capital upgrades. We built public housing and didn't provide enough money to keep it in good working operation for the life of the properties or provide money to sort of build new housing when the buildings got old. So my view is the U.S. has done public housing poorly. Other countries have done it well. But the fact that we chose to do it badly reflects some political decisions, some kind of social context. And I'm not convinced that the U.S. could do social housing the way France or Vienna or Singapore does. If we could, I would be a lot more enthusiastic about it. But I just don't think that we're going to get there. I don't think that we have the infrastructure. I don't think that we have the social buy-in. We definitely don't have the federal funding commitment to make this work properly. And I think given our history with it, that's not the most kind of optimistic way to go.

Housing is a place in America where I think you've seen some of the fastest political change, at least on the ideological level, over the past decade or two. So what people have begun to believe in housing, certainly in Washington, certainly even in the Democratic Party, is really different. I mean, the focus on supply, the rise of the yes and my backyard, EMB movement, where people are actively organizing to, say, build more housing. The Biden administration has both had in its policies and then recently in an executive order, a lot of efforts to increase housing supply. You can see places like Minnesota pushing back against single-family zoning in California. There was an effort to make almost everything possible to build a duplex on. Do you think the trend here is going to turn around? I mean, has enough been done politically that now we're just in a lag period between understanding we have a problem and solving it? Or are we still pretty far from making progress here?

So I think the policy changes we've done so far are moving in the right direction, but still mostly pretty incremental. So even in California, which has pushed more statewide reformers than any place else, California has legalized ADUs and duplexes and lot splits. All of those are good things, but they're not going to produce millions of units of housing that the state needs. So I think on the policy side, we still need to move forward and probably need to have some more aggressive policies. So it needs to be legal to build big apartments on top of subway stations and commuter rail stations, which, you know, it's kind of crazy that that's illegal in most places. But the incremental policy changes I think are helpful to build some political support. First of all, that there are wins for the YMB movement, that people pushing for these can point to legislative victories and also that when you legalize duplexes statewide, the world doesn't end, right? That you have sort of gradual adjustment of neighborhoods without there being plummeting property values and neighborhoods turning into slums overnight. And I think it is probably important to show that these changes are not as scary as the opponents want. On the political side, this is a very young movement. It's really only been active for maybe about five years. It's gaining traction quickly and it's gaining traction in more places, not just in the blue expensive places. We're seeing, you know, active

reforms in places like Utah. There's an active group in North Carolina pushing for statewide zoning reform. So it's gaining traction in more places. It's pushed a lot by younger generations who really see home ownership as almost an unattainable goal. I think as long as housing continues to be very expensive, there are going to be more people who find this an appealing way to go.

It's gaining a lot of traction in political establishments on both sides of the aisle, actually. So I think that we're probably going to see continued movement, but I don't see the policies getting us to solutions in the next few years, even really in the next decade, right?

And one way to think about this is California hasn't built enough homes for 40 years, even if we got rid of all of the bad policies, including Prop 13 and Secret tomorrow, it would take decades of very high level building in order to close the gap and bring housing back into the range of affordability for normal people.

I want to pick up on something you just alluded to there, which is there's a deep generational dimension to the politics of housing. And I've heard you say elsewhere that if you look at survey data, if you look at the politics of it, there's almost no deeper divide here.

Can you talk about how you see the difference in how young people understand housing in America right now and how older people do? Yeah, people under probably the age of 40 are really pessimistic about their ability to buy a home in the kinds of neighborhoods they want to live in that fits within their budget. And younger generations have been dealt a bad hand on the labor market side. They came out of school in the Great Recession. They had a much harder time getting jobs. They have much higher rates of student loan debt. So all of the chips are stacked against them financially, which means that home ownership is a harder goal for them to reach. It's taken them longer to save up money for down payments. In the meantime, housing costs have gone up faster. So this is a generation sort of facing the worst of all of that. I'm a Gen Xer. I came out of college in a great labor market where English majors could go work for Goldman Sachs and make \$80,000 a year. And five years out of college, if you wanted to buy a house, you could. That's really impossible for younger households, younger workers today.

And I think part of the problem on the political side is older households just don't understand how expensive housing has gotten, especially in high-opportunity communities. And they think that this is sort of the millennials are eating too many avocado toasts and not saving up for a down payment without realizing they'd have to eat no avocado toasts and nothing else and save up for 15 years for a down payment. Whereas for earlier generations, it just wasn't that hard. I have heard economists say, look, there's nothing that will as obviously solve itself as intergenerational wealth, that if you believe older people have hoarded all the wealth, well, that is definitely going to change because older people transition out of holding their wealth to put it delicately. What's wrong with just saying, well, don't worry about it. These houses are all going to get passed down. The intergenerational transmission of wealth that's going to happen as the silent generation and baby boomers die is going to exacerbate income and wealth inequality and particularly along racial lines in ways that I think we're just not ready for. So if your parents owned a house in California, if they bought in Palo Alto in 1970s or 80s, you are going to inherit millions of dollars in property or cash. If your family owned a house in St. Louis, you're not going to inherit much. If you look at how homeownership breaks down along racial lines, 70% of white households own their home, 40% of black households own their home.

The home equity held by white homeowners is roughly double that of home equity for black homeowners. So rich white boomers dying off and leaving cash to their kids is going to exacerbate the already large racial wealth gap and then you add on to that sort of all of the stock market wealth and so forth. We are going to have much, much bigger wealth gaps 20 years from now than we

do today. It's going to do really uncomfortable things to our politics and social society.

So one thing I really appreciate about your book is that it's very solutions oriented.

But I wonder if that's the right level in which to think about this policy by policy

because you're also making this argument behind it that the politics of this are a skew in a way that prevents good policy from happening. So let me ask a question this way.

What do you think could be done? What is most effective at changing the political context in which solutions can be attempted, experimented with and then scaled up?

So it's kind of an unfair question to ask me because I'm an economist, not a political scientist.

So I think in terms of policy solutions that make sense from the economics,

but I will say one of the reasons why I wrote the book is that it feels to me like

this is not a political conversation that gets had in the right places by the right people.

We have dedicated NIMBs who will fight against anything and there's essentially just no outreach to them. We're never going to persuade them. There's a small band of dedicated NIMBs,

but then there are an awful lot of kind of more typical households and voters in between

for whom this is not a primary issue. So if you think of kind of the median voter,

middle income, middle age, suburban homeowners, most of them don't think of this as a problem

they have to get up every day and deal with. You own your house. It's pretty nice. You live in a

nice neighborhood. Why should you care about this? And so one of the reasons I wrote the book is to

try to make the case to that median voter that in fact these broken systems have really big

consequences for all of us. Climate is a very hard one to ignore. Our current building patterns

are making climate change worse. We are already paying financial costs. This disrupts our quality

of life. The underinvestment in safe living environments for kids has repercussions for

the next generation of workers and citizens. We are massively underinvesting in good quality

housing, good quality neighborhoods, access to good quality public schools for millions of poor

kids. And that's not going to be good for the country at all. So I think there's an argument

to be made that sort of the, I don't know if it's the silent majority, but the people who are not

Yimbies or Nimbies should care about this and they should be engaged. And I think that they should

be aligned with the Yimbies in elections, even if they're not showing up to meetings on this.

I don't know if we are breaking through to that audience or not, but that's certainly the hope.

Is there anything here that you just like feel we didn't cover that we really should,

that is like a big hole in either your theory or in just like the connective tissue of the argument?

So one thing that I would like to see more of in housing policy is more experimentation.

This is a really conservative space. We adopt policies and we stick with them for very long periods of time. That's certainly true on the land use side, but even kind of the outlines of

our federal tax policy and the way we pay for public services, because all of these things are

interconnected, right now they're reinforcing bad outcomes. It's hard to persuade people to try

something radically different if we haven't tried it to see whether it will work. In homelessness

as a good example, we are at a crisis point and the current approaches are not working. They are

not scaling up, but we haven't tried something that's radically different. So I almost feel like there isn't enough urgency on some of these. What is something that would be radically different?

We could potentially throw out all of those sort of building code regulations around not letting homeless people live in say vacant commercial buildings, right? We have a bunch of vacant office buildings. You can't just put homeless people in them because they don't have bathrooms and bedrooms and things like that. We could just say, you know, for the short term, that doesn't matter. They need to have someplace to live and let them use them, right? And that's not even a huge change in policy, right? That's something that local governments could do, but they are very, very risk averse and not willing to try that.

Is it legal for them to do that? Because one of the things, I mean, in California, it's so wild to watch this, right? One thing that I have seen again and again is that because local politicians really are here on fire about these issues, they really do want to solve them. They try things, they get sued, the advocate communities come down on them, or they do something that doesn't seem that hard, and then the amount of money it costs is astronomical. So, you know, you take Los Angeles, they passed a measure a couple of years ago under Eric Garcetti. Voters voted for it to tax themselves quite a bit more, right? To put a bunch of money into a fund to actually build shelter. And then the problem is they built very, very little because the individual communities organize against it. So, you know, if you look at both the platforms now for Caruso and Karen Bass, who are the two front runners for the mayoralty

out there, they both talk about how this measure has functionally failed and how it's cost, if I remember the number correctly, more than \$700,000 per bed. But when I read their platforms, they don't really have a way to solve it because you're going back to the same issue of, you know, the people in that area will organize and just hearing that solution, thinking about any of them, you know, imagining the business owners coming to say they don't want homeless people living in this relatively vacant commercial area right next to them, or the homeowners, you know, coming into the community meetings to say, you know, they don't want these tiny house facilities built near them. That seems to be their current problem.

I wonder how you think about making it less possible for those blocking coalitions to form.

It's too easy for people to sue to stop stuff. So, the legal obstacles to trying new things, and especially something that's going to be a little bit radical, that is one of the reasons why we don't try it because elected officials are worried about getting sued and they almost certainly will get sued. You know, the blocking coalitions, it's not just the business owners and the homeowners who are pushing back against this. It's also advocates for the homeless who say you can't put people into buildings that aren't up to code that, you know, it's going to be dangerous for them. A lot of the affordable housing advocates are reluctant to try halfway solutions because they want to get all the way to where they want. So, the argument, for instance, over whether we should push to put more homeless people, unsheltered homeless people into shelters,

there are a bunch of advocates who don't want to do that because it takes away the political pressure

to create long-term permanent supportive housing, which is better, right? So, you know, the political

coalitions are, it's really frustrating because you have people who have very good intentions, but I think are asking for the impossible with no way to get there and people with bad intentions who are sort of coming together to block halfway measures that are incrementally better than what we have but are not perfect. So, right now, we're at a moment of real tumble, I think, in the housing market more broadly. So, the Fed has begun tapping on the breaks in the economy. Interest rates are

rising really, really, really, very quickly now. I think over the next couple of years, you're going to see much higher interest rates for somebody trying to take out a mortgage. I've seen a lot of analysts who think the housing market has peaked. Do you think this will be a big change? Do you think this will change either the politics of housing or the price of housing in some of these places? How do you assess what this moment in the actual housing market will do? So, one thing we should keep in mind is that the mortgage market and the housing market are not the same thing. So, increasing interest rates makes it more expensive to get a mortgage. That will mean some people don't take out a mortgage, including some people who currently live in a home aren't going to move to another home because they're locked into low rates. So, that's a market for mortgages that doesn't diminish the need for people to live someplace. And I was actually, I've not gone back to look and see, we know from prior incidences that when interest rates go up, housing prices go down or at least moderate in growth. People can't buy the same amount of house for the same amount of money. I don't actually know what the evidence

is on rents. And that's my concern that a bunch of would-be-first-time homeowners don't buy. They stay on the rental market. That puts more pressure on rents. And so, I worry more about renters because they tend to be poorer. If what we have is a moderation of housing prices in the owner-occupied market and rents stay high, that's not a net gain. And the sort of headline statistics about interest rates aren't paying that much attention to the well-being of people who live in rental apartments. So, I worry that we're not going to pay that much attention to them. I think that as a generalizable worry is a good place to end.

Always a final question. What are three books you would recommend to the audience? So, there is a book called *Cramgrass Frontier*, *The Suburbanization of the United States*, which is an absolute classic. It's by a historian and tells sort of the long-term history of housing development, mortgage markets, housing policy, the real estate industry in the U.S. It's great because you realize that suburbanization is not a post-World War II phenomenon. It goes back much farther than that. On housing politics, there are three political scientists, Katie Einstein, David Glick, and Maxwell Palmer. We've written a book called *Neighborhood Defenders* and a bunch of papers since then, which are just a fantastic insight into the nitty-gritty politics who shows up and participates, the sort of idea that it looks like it's small d-democracy, but isn't. And then the last one, I'm going to cheat a little bit. It's the Netflix of a book. So, *Made*, which is a Netflix series based on Stephanie Land's memoir, you could teach an entire housing policy class around this series. So, it shows you how broken the social safety net is, how hard it is to get federal housing assistance. There's a whole episode where she rents an illegal ADU and doesn't have a lease because it's kind of off-market. So, it's a fascinating idea of sort of the bottom end of the housing market that really doesn't work and is kind of a shadow market in many ways.

[Transcript] The Ezra Klein Show / Best Of: Why Housing Is So Expensive — Particularly in Blue States

Jenny Shutz, thank you very much.

Thanks, Ezra.

The Ezra Klein Show is produced by Annie Galvin and Roje Karma. Fact-checking by Michelle Harris, Mary Marge Locker, Kate Sinclair, and Roland Hue. Original music by Isaac Jones. Mixing by Isaac Jones and Sonia Herrero. Audience strategy by Shannon Basta. Our executive producer is Irene Noguchi. Special thanks to Kristin Lin and Christina Semilowski.