Title: Affordable Housing: An Economic Perspective

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Abstract:

The economist’s approach to social problems has two interrelated parts, consistent measurement and use of a cost-benefit test to assess alternative policies. This essay examines both parts of the economist’s method, primarily in the context of the United States but with attention paid to the United Kingdom also. It will seek to demonstrate that the problem of affordable housing can be measured and is large, even in the U.S. Furthermore, it will suggest that the problem primarily is one of poverty, the alleviation of which, is a very long-run project. In this context, it will suggest that programs to improve the housing conditions of the poor in the meantime are justified.

Written by an economist, it will outline that economists favor a voucher program that subsidizes rents for poor households who rent in the private housing market and that they generally advocate preventing restrictions on housing supply and institutional change in nations that do not have well defined property rights. It will suggest that if poor households have purchasing power that is to be spent on housing and if a standard for acceptable housing is set, then the private market can respond. However, it will also argue that if the supply response from the private market is judged to be insufficient, then an increase in the value of the housing vouchers can be considered.