

Build, Barbara, Build: Reflections on Nickel and Dimed

I finally read Barbara Ehrenreich's *Nickel and Dimed*, and was pleasantly surprised. Her runaway best-seller is what researchers call "radical ethnography"; to study low-skilled workers in America, Ehrenreich *became* a low-skilled worker in America. Ehrenreich mostly just walks us through her experiment: how she found work, where she lived, what the jobs were like, how she made ends meet. While there's ideological commentary throughout, she's less preachy than most of her competition. My favorite part, though, comes in the final chapter. Instead of simply complaining about low wages, Ehrenreich talks about the painful pairing of low pay with high housing costs:

Something is wrong, very wrong, when a single person in good health, a person who in addition possesses a working car, can barely support herself by the sweat of her brow. You don't need a degree in economics to see that wages are too low and rents too high.

The problem of rents is easy for a non-economist, even a sparsely educated low-wage worker, to grasp: it's the market, stupid.

Confession:

For a second, I was filled with hope that Ehrenreich was going to go full Yglesias and start denouncing our insanely strict housing regulation. And as I read the next paragraph, the same hope returned:

If there seems to be general complacency about the low-income housing crisis, this is partly because it is in no way reflected in the official poverty rate, which has remained for the past several years at a soothingly low 13 percent or so. The reason for the disconnect between the actual housing nightmare of the poor and "poverty," as officially defined, is simple: the official poverty level is still calculated by the archaic method of taking the bare-bones cost of food for a family of a given size and multiplying this number by three. Yet food is relatively inflation-proof, at least compared with rent. In the early 1960s, when this method of calculating poverty was devised, food

accounted for 24 percent of the average family budget (not 33 percent even then, it should be noted) and housing 29 percent. In 1999, food took up only 16 percent of the family budget, while housing had soared to 37 percent.

Wise observations. Housing costs *have* exploded – especially in high-wage areas of the country. It *is* very hard for low-skilled workers to afford nice housing. And superficially, the problem *is* “the market.” Prices are high because developers produce so little housing.

Why, though, do developers produce so little housing? Regardless of their political views, almost any economist these days will blame government regulation. The physical cost of erecting buildings hasn’t changed much, but the *political* cost of erecting buildings has skyrocketed. Serious deregulation would dramatically increase the supply of housing, and sharply reduce its price. And don’t say, “Only for the rich.” Much of the regulation on the books – such as minimum lot sizes, height restrictions, and bans on multi-family construction – is consciously designed to **zone out the poor**.

So when Ehrenreich was decrying housing costs, she could have segued to, “Despite decades of free-market rhetoric, hardly anyone wants to see a real free market in housing. Yet almost nothing else would do more for the working poor.” Furthermore, she could have so segued *without breaking character*. There is no good reason why Ehrenreich couldn’t think everything else she thinks *and* advocate the abolition of a bunch of laws that deprive the poor of affordable housing.

Alas, she said this instead:

When the rich and the poor compete for housing on the open market, the poor don’t stand a chance. The rich can always outbid them, buy up their tenements or trailer parks, and replace them with condos, McMansions, golf courses, or whatever they like. Since the rich have become more numerous, thanks largely to rising stock prices and executive salaries, the poor have necessarily been forced into housing that is more expensive, more dilapidated, or more distant from their places of work.

This is plainly false. In a free market, the poor totally “stand a chance.” Given current prices and twenty acres of land, developers would *much* rather erect a massive apartment

complex than twenty single-family homes. In desirable areas, however, getting such permission is almost impossible. And while developers will build in remote locations if they must, most would far prefer to build *up* in urban centers. Why don't they? Because getting permission to make your building taller is like pulling teeth. For every skyscraper under construction in NYC, just picture all the landlords who would build a skyscraper of their own if the zoning authorities handed them permission.

What then is Ehrenreich's solution? More government spending:

When the market fails to distribute some vital commodity, such as housing, to all who require it, the usual liberal-to-moderate expectation is that the government will step in and help. We accept this principle—at least in a halfhearted and faltering way—in the case of health care, where government offers Medicare to the elderly, Medicaid to the desperately poor, and various state programs to the children of the merely very poor. But in the case of housing, the extreme upward skewing of the market has been accompanied by a cowardly public sector retreat from responsibility. Expenditures on public housing have fallen since the 1980s, and the expansion of public rental subsidies came to a halt in the mid-1990s.

I can understand someone saying, "Deregulation isn't enough." But you could double the supply of public housing without making a noticeable dent in the housing shortage. Rent subsidies are much easier to scale up, but subsidizing demand without increasing supply is almost the definition of crazy policy. Furthermore, if you want to create high-paid job opportunities for non-college workers, a rapidly growing construction sector is a dream come true.

You could interpret all this as a "gotcha," but I strive to be positive. Yes, *Nickel and Dimed* overlooked the fact that government grossly deprives the working poor of affordable housing. As far as Google knows, Ehrenreich's continued to overlook this fact. What's important now, though, is that she could and should join the long list of left-leaning thinkers who champion deregulation of housing.

So how about it, Barbara?