

Reverse Musical Chairs

One of the main problems with selling housing deregulation is the perception that new construction “only benefits the rich.” Rich developers of course, but also rich home-buyers. It’s easy to see where casual observers get this idea. New housing is usually nice housing, because over time technology improves and capital depreciates. Since richer people are more willing to pay the upcharge for nicer housing, the future residents of new construction are usually well-to-do.

So what do casual observers miss? They miss the big picture: People who move *into* new construction are moving *away* from older construction. When they move, those older units become available for others. While those others probably won’t be drastically poorer than those they replace, they tend to be *slightly* poorer. Think: “one rung down.” When these slightly poorer people move, their prior dwellings will tend to be taken over by those who are a further rung down. And so on, in a great chain reaction. Allowing new construction really does help the whole income distribution.

Since this is hard to visualize, picture a game of musical chairs. With one key difference. A normal game of musical chairs starts out with one chair per person, then subtracts a chair every turn. The result: Faster, aggressive kids push out everyone else, until the fastest, most aggressive kid wins. In my variant game, we start out with *fewer* chairs than people, then *add* a chair every turn. The result: Slower and more pacific kids start getting places to sit, until there are enough chairs for everyone.

Both games feature a competitive scramble. In conventional musical chairs, however, the competition gets more and more cutthroat and in the end almost everyone loses. In my reverse musical chairs, in contrast, competition gets milder and milder and in the end everyone wins.

I don’t advocate playing reverse musical chairs at children’s birthday parties. Games and stories where everyone wins are notoriously dull. The struggle is part of the fun. In real life, however, the *Alice in Wonderland* outcome of “All have won, and all must have prizes” is a dream come true. Deregulating construction won’t instantly deliver high-quality, affordable housing to everyone. Instead, it’s like my game of reverse chairs. Every new structure built makes the competition for housing a little milder, until practically everyone comes out a winner.