

BOOK NOTES

Housing and the Money Market, Roger Starr. (New York: Basic Books.) 1975. 250 pages, \$10.85, available from Harper & Row, Scranton, Pa. 18512.

Housing educators and professionals will welcome this book on an important aspect of the provision of housing - the money market. The book is a self-contained introduction to the subject, with fairly good general organization. Part I, "Fundamentals," has chapters such as "The House," "The Equity," and "The Mortgage." Most sections of Part I are pleasant to read as well as informative, with discussions of topics such as the motivations of the lender and the origin of the word "mortgage." Starr also discusses a key reason for the importance of money markets in housing policy - the need to finance most housing through voluntary savings rather than through taxation. Part I concludes with a relatively clear discussion of the Federal Reserve System, including an analysis of the advantages and disadvantages of the blindness of monetary policy. Starr notes that easy credit policies may benefit "unworthy" causes such as corporate takeovers (and gambling casinos) as well as "worthy" causes such as improvement of housing, but he feels that there may be political and economic efficiencies in such blindness.

Part II, "The Lending Institutions," contains one chapter on each major type of lending institution. These chapters are generally readable, although some readers might have trouble tolerating all of the institutional detail in one sitting. The final chapter in Part II is about those magical mystery machines which seemingly produce something from nothing - state and local housing finance

agencies financed with tax exempt bonds. Starr points out that there is no free lunch, although the benefits of the devices may outweigh the costs. He has no discussion of the most recent problems in municipal bond markets, but the reader will gain a better understanding of current problems.

Part II, "Governmental Institutions and the Future of Policy," contains chapters on some of the alphabet soup agencies connected with housing- FHA, FNMA, and GNMA, and a final chapter, "Policies and Prospects." Starr explains why Fannie Mae is like the Holy Roman Empire, and briefly describes the effect of the Vietnam War on the relationship of the federal government to Fannie Mae. Starr offers many policy insights, especially in the final chapter. He suggests that an answer to the housing problem will not be found in clever schemes for improving financial institutions, but rather in familiar but difficult measures such as changing housing codes and increasing income subsidies and employment opportunities.

Although this book is not written in textbook style, it would be suitable for an upper level undergraduate course. It could be used with Henry Aaron's *Shelters and Subsidies* and Wallace Smith's *Housing: The Social and Economic Elements* for a solid course on housing economics. The author expresses regret "for institutional and other changes in the money market which occur more rapidly than paragraphs can be written or typeset." Hopefully a second edition will be written in 1980 to provide some perspective on the present carnage in the money markets. However, the first edition is a useful and admirable book.

—*Sherman Hanna*