

Book Notes

U.S. Department of Housing and Urban Development, *Final Report of the Task Force on Housing Costs*, May, 1978, 106 pages. (Single copies available free from: Department of Housing and Urban Development, Room B-258, 451 7th St., S.W., Washington, D.C. 20410.)

The HUD Task Force on Housing Costs was a small-scale version of the Douglas and Kaiser Commissions of 10 years before. The Task Force was to look into the leading housing problem — the high cost of housing — and come up with possible solutions.

The Task Force reported some familiar statistics. The median sales price of new one-family houses increased at an average annual rate of 12.5 percent between 1972 and 1976, while during the same period, median family income increased at a rate slightly over seven percent per year, and the overall Consumer Price Index increased at a rate of eight percent per year. Part of the increase in the median sales price was due to increasing quality, since the Census Price Index for new one-family houses of constant quality increased at a rate of only 9.9 percent per year. The CPI rent index increased at a rate of only about five percent per year, even though the proportion of renter households paying more than 35 percent of income for rent increased dramatically. The cost of improved lots increased faster than the cost of new houses.

What have been and will be the consequences of rapid increases in housing costs? Although it is commonly proclaimed that people cannot afford to buy houses, the homeownership rate continued to creep upward through 1977. Nevertheless, the high cost of housing may become an ever more serious burden for American families.

Solutions should be tied to the causes of the problem and the HUD Task Force's proposed solutions reflect its perceptions of the causes. Some of the recommendations are straightforward and presumably easy to implement, such as increasing research for development of low cost construction techniques and encouraging expanded use of graduated payment mortgages. (Graduated payment mortgages are an excellent solution for many young families to the problem of the high cost of housing, but they may provide an additional engine of inflation.) Other proposed solutions are neither straightforward nor easy.

The Task Force notes the problems caused for the housing industry by the violent fluctuations in housing production, the most dramatic being the spectacular boom in 1971 and 1972 brought about by easy credit and other efforts to reelect Nixon, followed by the equally spectacular depression caused by the credit crunch and other efforts to slow down inflation.

These fluctuations in housing production may “. . . increase housing costs because of their pervasive effect on the efficiency of the construction industry. . . The constant need to adapt to wide fluctuations in production levels leads homebuilders and building material producers to use less efficient technology so that they can minimize their fixed costs in plant and equipment over a wide range of output levels. . . Land developers and builders, moreover, require a relatively high rate of return on their equity in order to compensate for the risk and uncertainty associated with their investments.”

The Task Force cites a new study which seems to show that it is not necessary to make housing

bear the brunt of efforts to stabilize the economy. I am somewhat skeptical of the study, and even more skeptical of the view that the fluctuation in housing production is a major cause of the current housing cost crisis. While a violent fluctuation such as took place between 1972 and 1975 is clearly undesirable, fluctuations in housing production have not become much greater in relative terms over the decades. Fluctuations in housing production may make housing costs higher than they would be with stable production, but it is unlikely that they could cause housing costs to increase rapidly. Some degree of moderation of the housing cycle would be desirable, however, even if no great slowdown of housing inflation resulted.

The major enemies in the war against rapidly increasing housing costs may be the thousands of individual communities which have unreasonable restrictions in forms such as large lot zoning and unnecessary building codes. "A recent report by an American Bar Association commission notes that in the New York metropolitan area 99.2 percent of the undeveloped land zoned for residential use is restricted to single-family housing." The statement sounded familiar, so I reached for my copy of the Douglas Commission report, *Building the American City* (New York: Praeger, 1969) and found the following sentence on page 215: "Of the undeveloped land zoned for residential purposes in the New York metropolitan area, 99.2 percent is restricted to single-family dwellings." This example of recycled research may be of interest only to pedantic scholars concerned that people might think the particular finding had just been discovered, but it also points out that the Douglas Commission's findings over 10 years ago remain very relevant to the problem of high housing costs. The HUD Task Force has added some discussion of more recent developments such as "no-growth" policies and environmental protection issues, but it also repeats many of the findings of the Douglas Commission and the Kaiser Commission.

The most powerful recommendation of the

HUD Task Force, and the most controversial, is that HUD should cut off funding to communities that persist in restrictive practices. The tendency of some communities to keep out low cost new housing has various causes, but there is fierce opposition to federal control of this formerly local prerogative. It will be interesting to see how far this proposal gets.

There are many other specific recommendations in the HUD Task Force report, and it is worthwhile reading for anyone interested in the problem of the high cost of housing.

Sherman Hanna
Kansas State University

Gorham, William, and Glazer, Nathan, editors. *The Urban Predicament* (Washington, D.C.: The Urban Institute, 1976) 363 pages (71 tables, 17 figures, index); \$10.00 cloth, \$4.95 paper.

The co-editors and contributors (largely Urban Institute staff members) synthesize current knowledge of urban problems and identify major demographic trends which have jeopardized the functioning of center cities, including: the economic shift from NorthEast/North Central to West/South; decline and population change in older central cities; and persistent low income minority populations in and around most large central cities. Five critical problems (finance, housing, crime, education, and transportation) are examined and underlying forces affecting them are analyzed. Both a description of government impact on cities and their conditions, plus guidelines and proposals for further government intervention are offered. "Confidence in our ability to frame solutions has declined as understanding of problems has grown," however.

Although it is erroneous to ignore the interdependent nature of the five problems, this review will discuss only the highlights of the finance and housing chapters. George Peterson outlines the financial predicament of older central cities: massive, accelerated loss of white and middle-income