

## DISCUSSION

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It is clear from these papers that American statisticians have to add a bit, to use henceforth a measure of variance about per capita income. We need a "Sigma" for p.c.i.

It is also clear that statisticians must help us economists by taking into their toolbag the divergent concepts of "flow" and of "stock" as Prof. Boulding has suggested. Housing is clearly not just a "flow" but also a most important "stock".

But most of all, statisticians and economists should join the public in a discussion of the purposes of development. Two lines of approach are visible today:

One view of development is oriented to "productivity", to things. It sees development in terms of building steel mills, power plants, fertilizer factories, assembly lines, bottling works, paper mills, highways, etc. But it leaves out housing, because it is confused as to whether housing is "productive".

The other line approaches development in terms of people--it is "consumer oriented" and wants better and more adequate food in human diets, better health and facilities to assure it, and it wants more adequate, varied, and attractive clothing and SHELTER. It wants to raise standards of living, and enlarge human opportunities. For this group, housing is part of the basic purpose of development. It is the major consumer good, providing status, privacy, liberation from chores, as well as shelter from the elements.

In passing, I regret the use of the term, in Stan's remarks, of the "burden" of housing. One doesn't speak of the burden of providing food or clothing, or education. Let us speak of the benefits.

Of course, housing is actually productive. What I take as a first premise has now been proven by Tjioe and Burns. But what a tragedy that we should require proof of what ought to be obvious. I'd like to suggest that as their studies continue, they extend the concept of productivity of housing beyond the coal mines and other material productivity of the worker-tenant, to the productivity of housing in serving as a long term consumer good--yielding continuing satisfactions to all consumers of it, the whole family and their successors. Housing produces a demand for public services, for amenities, for the conveniences of life, for the water, sewer, gas, electricity, streets, telephones, sidewalks, parks, household appliances, as well as the building materials and labor used in the house itself.

Development planners trying to increase the employment of the labor force ought to put housing high on their list for its direct and indirect employment--and for the training which it provides

that carries over into skills needed in other production, and other construction.

Housing underlines the need for economists and statisticians to be more cautious and prudent in their sharp distinctions between consumption and investment. Housing is both, and so are outlays for health, for education, and much more. We allow our labels to get in the way of our good judgment. Certainly the quality of the composition of the gross national product is quite as essential to welfare as its purely numerical quantity.

Let me turn to Smigel's paper on the Financing of Housing.

One must applaud vigorously his call to adopt a concept of economic rent. It is essential to seek an end of housing subsidies, as fully as possible. They are almost inescapably going to lead to favoritism, to corrupt politics, and to be only partial successes. For budgetary logic runs against them. Other demands have higher priorities. I've helped prepare budgets, and helped vote them. Look at the realities: Housing takes a lot of money to help a relatively small number of families. A smaller amount of money, spent on programs that immediately reach the entire community, win more votes, win more public acclaim, and thus carry the day.

Subsidized housing programs come to an end whenever this logic prevails, or whenever money runs out. Housing that pays an economic rent can provide most of the funds needed for more housing to be built tomorrow and the day after.

Housing is a major source of savings, or can be. In the United States, it constitutes now a debt commitment, in mortgages, around \$300 billion. The repayment on these contracts is providing almost \$40 billion a year. In addition, the hope to be able to buy a house brings prospective buyers into savings institutions, to accumulate their down payments. Their purchases of appliances, furniture, etc., on time payment plans is another form of contract savings.

By contrast, subsidized housing is a drain upon other savings, a drain upon taxes and operating budgets. It is bad economics. It encourages a "something-for-nothing" psychology. It abandons the utility of the savings idea, the return-flow of funds idea, and in the process, subsidized housing discourages economic housing in all sectors of the market near the subsidized housing.

Subsidized housing is also bad politics and bad social policy. If there are two prices for the same good in one market, someone will try to profit by trading on the difference--and he will succeed. The favoritism will hamper development. Even the indirect subsidy of employer and government housing is open to criticism. A developing society needs to plan for mobility. Subsidized

housing means a scarcity of housing, and it means that people tend to be frozen in their localities and in their jobs. Such employer housing provides a powerful control over people. It is much better to plan to facilitate easy shifts from job to job, and from place to place. To plan for a future in which there is more freedom, and more development, will require more of the mobility of persons that is common in a developed society. This calls for a freer market in housing, and the use of economic rent.

And to ask, as Smigel does, for more rental housing, is all to the good--but little rental housing can be expected to be forthcoming commercially so long as subsidized housing is common, except at the other end of the income spectrum.

One could wish that papers on financing housing had room to explore the difficulties of housing finance with the legal systems in some developing countries. The high cost and delays in processing acquisition or transfer of property, in completing contracts, in verifying title, in paying taxes, and in securing essential services so that development may occur--these are hidden, but very real costs of housing.

And because housing depends so much on local government for many services to the land and structure, it would be well if there were broader understanding of the differences between the highly centralized governmental structures we associate with French and Spanish influence, with the decentralized structures that the U.S. takes for granted and finds in Germanic or Anglo-Saxon influenced areas. When a local government can levy its own general property tax to provide water, sewer, roads, schools, and the like, housing can be developed more easily. The talk of land reform often overlooks the general property tax, in local hands, as the best single tool of land reform.

Finally, it is necessary to say another word as footnote on Housing and Foreign Loans. Of course housing is built with local currency, spent on local land, local labor, and almost entirely on local building materials. Foreign currency is needed to pay only for those components that cannot be produced locally. But that is not the end of the argument. Long-term low-interest foreign loans are generally hard to get. Depending on the purpose of the loan, it has political problems in the lending or the borrowing country, or both. Housing happens to be free of this hostility. It is a purpose that appeals to both lender and borrower--both are willing to have it be a fairly long-term loan. The lender has the assurance that the income from the housing provides a reasonable assurance of funds out of which repayment can be expected--though currency conversion questions remain. And under investment guarantee programs, private sources will lend. Hence if a country shows maturity and good judgment in allocating to other development requirements the foreign currency fruits of such housing loans, these loans deserve consideration.

The converse also holds.

There are good reasons for making pilot loans, for demonstration projects, and for using small foreign loans to provide technical assistance to the whole housing industry.

In this connection, the use of the cooperative as a way of accumulating funds, planning large housing development, cutting overhead costs, and training persons in sound management methods, deserves special attention. The growing success of cooperative methods overseas attests to the wisdom of the Humphrey amendment to the AID act which brought the Savings and Loan organizations, the Credit Unions, and the Foundation for Cooperative Housing into the whole issue of financing, organizing, planning, and building housing--and then managing it, as a part of development.

Let us now turn to Larry Bloomberg's paper on housing demand. This is a provocative piece, listing many complications that arise in making a housing demand analysis. I have no quarrel with what he said. But since this is the occasion to look at the conceptual framework of such analysis, let's add that had he wanted to make the picture even more complex, he would properly have added several sections not found here: In the interest of time, I use only an outline approach -

1--What is the purpose of a housing demand analysis?

- a. Government programs: loans, grants, insurance, cooperative promotion, savings programs, Or economic budgeting for health, education, or other public services, Or other socio-political analysis
- b. Private development--a straight market sales analysis
- c. City Planning--where to build how much of what? The market requirements sector by sector
- d. Design analysis

2--Income Class and Social Class analysis

- a. Housing as an incentive to marriage and family--its lack a deterrent. Its importance to the emerging classes. Policy questions as to priorities to be encouraged. The risks of being too hard-nosed about housing.
- b. Problems of up-grading amenities and community services as a contribution to housing analysis (water, sewer, health, roads, community facilities)

3--The Time Dimension

What development itself will do to demand over time as to requirements for numbers, for size, for amenities, for privacy--and the adjustments to urbanization, industrialization, rising incomes, breakup of the extended family into nuclear families.

These were all good papers, contributions to the literature.