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MUNICIPAL SOCIALISM

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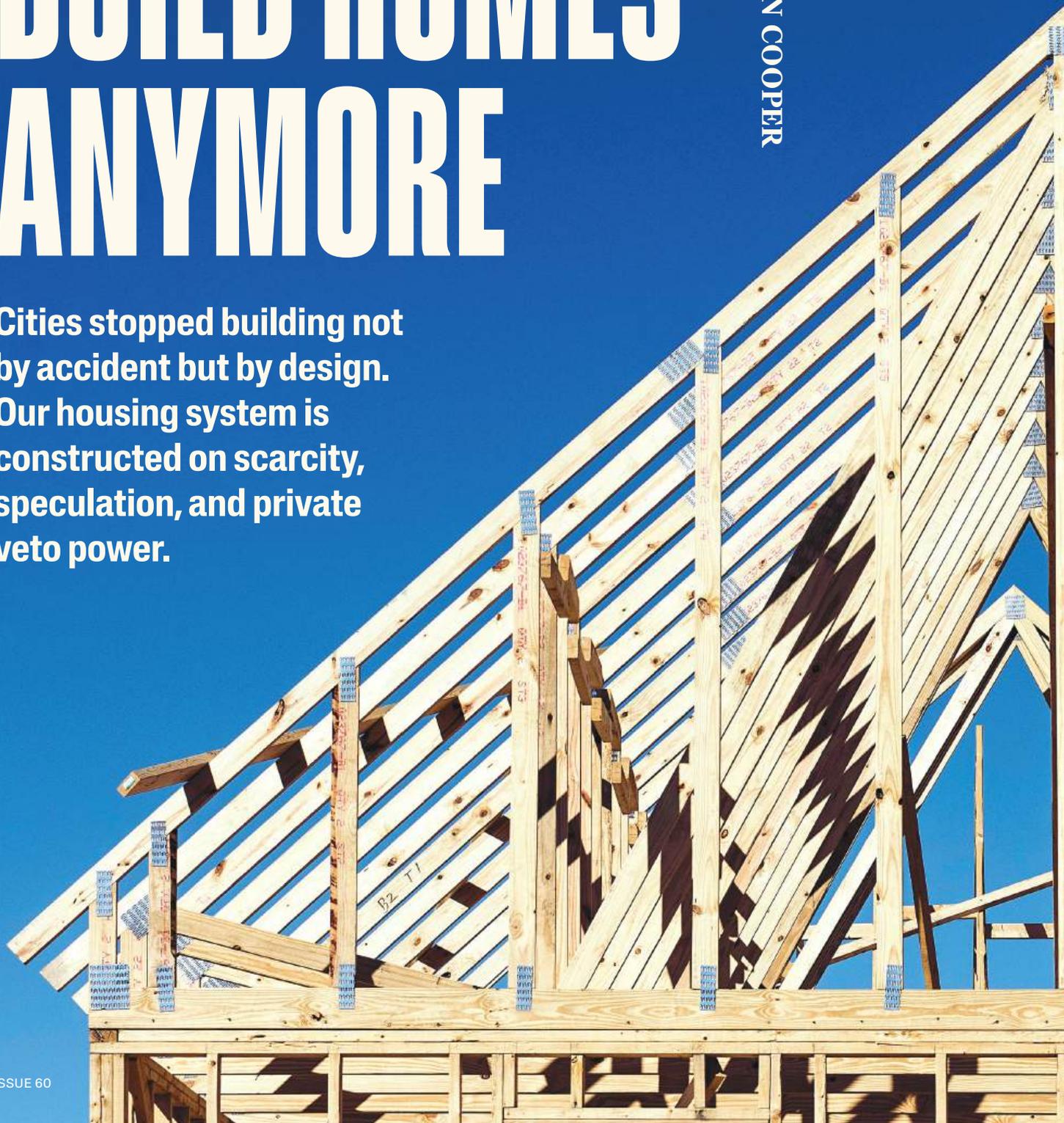
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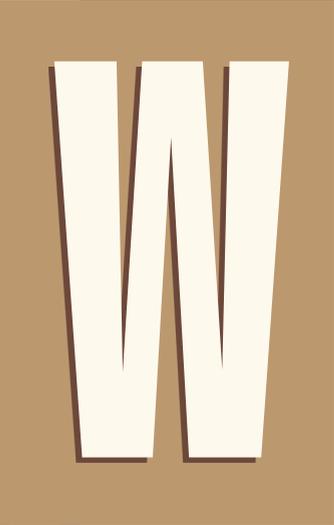


AMERICA CAN'T BUILD HOMES ANYMORE

BY RYAN COOPER

**Cities stopped building not
by accident but by design.
Our housing system is
constructed on scarcity,
speculation, and private
veto power.**





Walk through any major

American city today, and you'll see the same paradox: vacant office towers beside crowded apartments, underused lots amid soaring rents. It's not that we lack space or need — it's that we've forgotten how to build. Our once prolific construction machine has sputtered, leaving cities caught between scarcity and speculation.

Inside and outside our cities, the decade after World War II saw one of the greatest home-building

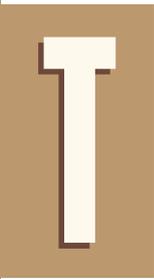
booms in the nation's history. From a low of 3.7 constructions per 1,000 households in 1944, not far from the nadir of the Great Depression in 1933, that figure increased more than tenfold to 44.4 in 1950. The share of GDP dedicated to residential investment hit 7.3% that same year, a level that has not been matched since — not even during the peak of the 2000s housing bubble. And although those elevated numbers were not entirely sustained, construction starts remained above 25 per 1,000 households for most of the 1950s, while residential investment failed to dip below 4.5% of GDP until the mid-1960s.

Compare that to modern history. After the 2008 financial crisis, new housing starts collapsed to 4.7 per 1,000 households, worse than 1935, while residential investment plummeted to less than 3% of GDP, where it would remain until 2013. Neither figure hit anything like normal levels until the late 2010s. That economic "lost decade" built up a massive housing shortage not unlike the one that developed during the Depression and the war in the 1930s and '40s.

But when the millennial generation that had hitherto struggled to afford a down payment was suddenly flush with cash thanks to COVID-19 pandemic rescue payments and savings, there was no compensatory boom. From 2021 to 2022, residential investment blipped up by a mere three-quarters of a point of GDP, while new home starts went from 10.8 per 1,000 households to 12.4, then back below 11. Rather than a building boom, we instead saw a huge surge in median home sale prices and rents, which went from \$317,100 to \$442,600, and from \$1,600 to over \$2,000, respectively, between 2020 and 2022.

What happened? America's political economy of housing, that's what. After eight decades of heightened contradictions, our private market-based system of shelter construction has finally strangled itself. We now live with a chronic housing shortage and an associated affordability crisis, with an unjustifiable share of national income being directed into the pockets of rentier landlords, a boom-and-bust cycle of housing investment that drives recessions across the entire economy, and a construction sector that simply can't build.

HOW WE LEARNED TO BUILD — AND BUILD BIG



The story starts with the 1950s boom, which was underpinned by several key factors. First was cheap land in desirable locations. The huge uptake of private automobiles and buildout of highways at the time, for all the social carnage it caused in cities, also opened up great swaths of land relatively close to urban centers that

could be developed cheaply.

Second was steady and consistent housing demand. In the postwar decade, thanks to the New Deal and the legacy of the wartime economy — which featured top marginal tax rates over 90%, an ultrahot labor market, and mass unionization — income inequality was likely at its lowest point ever. Even people far down the income ladder could save money for a down payment on a house.

The government made things even more affordable with a variety of homeownership subsidies, like the 30-year, fixed-rate mortgage (invented by New Dealers), government mortgage insurance, and the tax deductibility of mortgage interest. Meanwhile, there was a large backlog of social pressure that had built up over the years of economic depression and war. With the economy exceptionally good, millions of veterans were getting jobs, going to school through programs created by the GI Bill, and starting families. For a solid 15 years or so after World War II, builders could sell just about any house they constructed.

Third, the United States of that time had a more broadly shared industrial base than today. Building on New Deal-era investments, wartime mobilization, and strong unions, economic production extended across much of the country rather than being confined

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to a few regions. That broader prosperity supported widespread housing demand, which, combined with low land costs and government-backed mortgages, helped keep homeownership relatively affordable.

With all this going on in the background, industry and government evolved a reasonably functional style of residential construction for the era. The traditional US system of stick frame construction, in which homes are built piece by piece from dimensional lumber on-site, is quite unusual; most countries tend to build with concrete or cinder block. In the 19th century, brick and timber framing were much more common in the United States, but bricks are expensive, and by the mid-20th century, most of the old-growth forests that provided commercial quantities of timber logs had been cut down.

The solution was lots and lots of fairly low-quality wood, mass-produced in dimensional quantities that required little more than a tape measure, a saw, a hammer, and nails to assemble. Teams from the various trades would collaborate to pour the foundation from concrete, then carpenters would nail the wall structures together on the ground and raise them,

followed by the contributions of plumbers, roofers, and so on. With a well-organized crew, a house could be completed in this way in just a few days.

WHY WE STOPPED BUILDING

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ight decades later, the situation is very different. Most of the underlying factors detailed above are gone — since the neoliberal turn in the 1980s, taxes on the rich have been slashed, unions have been crushed, and the New Deal regulatory state has been largely dismantled.

Economic activity has been monopolized by both companies and cities. In high-demand cities, first-, second-, and even third-tier suburbs have been built out decades ago; metropolitan areas like Atlanta have sprawled so far that new development is functionally not in the same city anymore. Meanwhile, great chunks of other cities that lost the neoliberalism lottery have been abandoned; the population of Detroit shrank by about 1.2 million people between 1950 and 2020. More development is crammed into less land, making construction more expensive and difficult.

More generally, the political economy of US housing has driven itself into a cul-de-sac, as it were, thanks to its reliance on private markets and its entanglement with the business cycle. In the postwar generation, homeownership developed into a way for the middle class to build wealth. This worked fine at the start, because owning a home had only just become widely accessible. But like a car, a house is nothing more than a durable good (plus land). All else equal, there is no reason to expect housing prices to keep increasing forever.

The only practical way to keep prices rising is through some combination of subsidies and demand restrictions. After World War II, the former were provided indirectly by the New Deal programs mentioned above; the latter were provided by NIMBY land use regulations that became ubiquitous in the 1960s and beyond — like single-family-only zoning, minimum lot sizes, and height and setback requirements. Such rules were and are frequently nonsensical and in effect racist, but they served an important political-economic purpose: restricting the supply of the enfranchised, bourgeois form of shelter, so as to put systematic upward pressure on the price.

The plan seemed to be to keep extending more and more credit to progressively less and less credit-worthy borrowers, while preventing the construction of anything but single-family sprawl in some Sunbelt cities — as if that approach could continue working forever.

In reality, of course, it didn't and instead led to the 2008 crash. Though there was much financial deregulation and outright criminality central to the mid-2000s housing bubble, it was also directly in line with America's home inflation policy going back decades. By the early 2000s, just about everyone who could realistically afford a mortgage already had one, and so Wall Street conducted a tremendous amount of financial engineering — that is, it figured out ways to lie to investors through complexity — to extend mortgages to people who could *not* afford them. Soon enough, they ran out of suckers, people stopped buying, prices started falling, and all the infamous subprime mortgage-backed securities started collapsing, which triggered a general financial crisis.

The housing bust, in turn, caused tremendous damage to the construction industry. New home starts peaked in 2007 and then plummeted by about 75%, where they remained for several years. About 160,000 construction firms went out of business during the bust, and 2.3 million construction workers lost their jobs. The industry also consolidated greatly; the largest builder in the country, D. R. Horton, made three times the nominal profit in 2023 that it made in 2005 on half as many houses sold.

And that meant terrific damage to the overall competence of the construction workforce. A generation of construction experience was either lost or never gained; the industry became conservative and sclerotic.

This all had a toxic interaction with American building codes and especially construction quality standards. These were decent enough in the 1950s, as traditional stud framing is well suited to having poor or no insulation — a lot of air and heat transfer through the walls, thus drying them out and preventing rot. But with climate change, rising energy prices, and growing awareness of the dangers of pollution, buildings are now expected to be insulated and air sealed to reduce heating and cooling load and to improve indoor air quality. Do that sloppily to a stick frame house, and you're likely to get moisture and rot in the walls.

American construction standards are usually set by the International Code Council (in reality, only the

United States and Canada use it), a nonprofit backed by the construction industry, which publishes the International Building Code. The code is updated every few years, and to be fair, it has evolved to account for some best practices in insulation and air sealing.

But like any instance of private business self-regulation, the code is sluggishly maintained at best and contains many conflicts of interest. *HuffPost*, for instance, reported in 2024 that natural gas lobbyists had pressured the body to remove provisions for electric appliances and heat pumps.

What's more, which version of the code applies varies regionally and is inconsistently enforced. It's a classic American situation — rather than regulation being carried out by a legible central authority whose decisions are obvious and hence democratically accountable, it is implemented by thousands of inscrutable local bureaucracies, producing inconsistent results with vast duplication of effort. (This is also a major reason why the United States struggles with rooftop solar power.)

As a result, construction today generally takes much, much longer than it previously did, and it is often still not up to a high-quality standard.

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All these are reasons why attempts to bring mass production techniques to American construction have either failed or remained marginal. As the writer and structural engineer Brian Potter explains, William Levitt famously tried to do this in the mid-20th century with his Levittowns, and it worked well in the 1950s. But after that decade's boom petered out, demand dropped off for his commodity housing, and his company eventually went bankrupt.

After the first postwar generation of pell-mell construction, American building booms have always been self-limiting, because too much construction means declining home prices, a bust in the construction industry, and, sometimes, a big recession to boot. One can still buy a manufactured home, but they are either (rather unfairly) stereotyped "trailer" homes that decline in value, or they are marginal luxury products starting in the mid-six figures.

HOW WE CAN BUILD AGAIN



Our most obvious and straightforward task is to centralize and democratize building and land use regulation. Rather than thousands and thousands of micro-jurisdictions running their own little bureaucracies, the federal government (ideally) or states (more realistically) would set consistent and regularly updated standards

while making permitting easier and inspections stricter. A return to New Deal-style antitrust and economic planning, updated for the 21st century, would help as well. Pushing factories and other business into underused areas would lead to housing in those cheaper regions being built or fixed up, easing the pressure somewhat on more expensive cities. President Joe Biden went some distance toward doing this with the Inflation Reduction Act, which led to a huge boom in factory building, mostly centered in conservative states and regions, but Donald Trump has torn that to shreds.

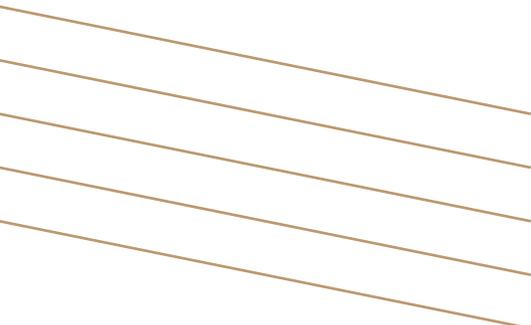
Most important, the United States needs a revolution in our political economy of housing. Endless home price appreciation is economically senseless and politically toxic; in most of the country, prices need to stabilize or come down significantly.

In cities, this will mean a major campaign of densification and infrastructure buildout. The details will vary by location; in New York City, it would mean

a repeal of the downzoning ordinances of the 1960s and later, a general streamlining of the permitting process, and massive construction of primarily apartments. New Yorkers actually took several big steps in this direction during the elections this year. City council members previously had wide powers to block construction in their districts, which both slowed construction and fueled corruption, but now they can be bypassed.

Change is desperately needed in the city, after all. It may seem that New York already has a lot of construction, but visible cranes can be misleading. The city built more housing in the 1920s, thanks in part to a temporary shift from a property tax to a land value tax, than it did between 1970 and 2019. Such a tax, which heavily punishes people for sitting on vacant land, is also worth considering today, particularly in thriving, high-demand cities.

But not every city needs to become Manhattan. Repealing single-family-only zoning, which covers an estimated 75% of all US city land, and which has already been done in Minneapolis, Minnesota, and Portland, Oregon, would be a great start. Parking



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minimums, setbacks, minimum lot sizes, and other nonsensical requirements can also go.

Just look at West Philadelphia, which, thanks to its prewar construction, approaches Brooklyn levels of density with duplexes, row houses, and the occasional modest apartment building. Greater density will in turn strengthen city finances and enable a buildout of public transit and bike infrastructure, which will be necessary to avoid traffic congestion.

A vital component of a housing revolution will be a federal social housing program. Unlike traditional public housing, which is restricted to low-income residents and therefore both concentrates poverty and requires a large ongoing subsidy, social housing would be available to all. Some units can be set aside for low-income residents, while others will rent at market rate, providing profit that can be used for operations and maintenance.

This will not only create a supply of affordable housing that can be scaled up by appropriating landlord profits; it will also ensure a consistent volume of housing production and end the boom-bust cycle in construction. A federal social housing agency could develop a wide swath of government-owned land around the country as well as a set of projects that could be built upon them. It would then extend credit to help cities build housing they would own — moderately at the start but radically scaling up during economic downturns.

This would solve several problems at once: the construction industry would not suffer regular mass layoffs, the United States would not suffer decades of housing shortages, and the general economic business cycle would finally be stabilized. YIMBY (Yes, in my backyard) policy, while generally a good idea, will not produce this on its own. We see its limitations in Austin, Texas, where a major private building boom led to declining rents and thereafter to a collapse in building — but long before true affordability had been reached.

All this is extremely unlikely to happen with Trump in the White House. But cities don't have to wait for the White House. Montgomery County in Maryland has already successfully built several social housing projects. The county government has a revolving capital fund that it uses to snap up projects in development that are approved but not financed; the developer gets to build while the county gets to own the project at the end — and learn from the process. And it has done this without any federal assistance. Imagine what could be done with the

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federal government leveraging its capacity to borrow on behalf of cities all across the country.

On a large scale, this would mean a revolution in the United States' political economy of housing. Future generations of homeowners would have to learn not to depend on endless, effort-free appreciation for their retirements. But I suspect millennials and zoomers who have all but given up on homeownership will appreciate the opportunity to simply own a home at all, while those who don't want to own will appreciate the structurally lower rents in a country that has social housing.

It's not impossible for America to learn how to build again. We don't even need to give up our precious cheap wood construction. It's fairly simple to construct an insulated, air-sealed, stick frame structure that is *also* very durable, even at apartment-building scale — it just requires more training, some sophisticated materials, and, above all, attention to detail when it comes to moisture.

It will, however, require smarter regulation, a decade or so of experience-building in the trades, and — most important — a heavy dose of public ownership. ■