



## Housing Will Be the Last to Recover

By Mark Calabria

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The *New York Times*' Floyd Norris [repeats](#) the same old tired argument that if only we could get the housing market going, everything would be swell. Maybe that works if somehow you believe our objective is to get back to 2005.

Don't get me wrong; 2005 felt great in terms of the economy. But it was a BUBBLE, driven by false and misplaced beliefs about housing prices (not to mention lots of easy credit). The result? We built more housing than we now need or want. Norris never gets around to explaining how exactly building more housing would solve our current problem of oversupply.

Norris' solution? Yes, the same tired, old proposal of writing down mortgage debt. Again, nowhere does he explain how forgiving mortgage debt helps to clear the oversupply of housing—because it doesn't. As I [argued](#) before, the notion that forced mortgage write-downs creates wealth, and hence increases spending, is false. But why let facts get in the way of a blind devotion to theft as a manner of creating wealth?

The solution is not to hope our housing market turns around (if you actually want to, try [these](#)). Counter to Floyd's bias against markets, letting prices fall and the market clear is the

most workable path to fixing the housing market. The real solution to getting our economy moving is helping to transition resources out of housing and into other sectors of the economy, where they can be used to create real wealth and not simply to bid up house prices. I cannot envision a situation where we put more than half of the 2 million unemployed construction workers back to work in residential construction any time soon. Ain't going to happen.

I particularly find these positions most puzzling when they come from the Left. We've had a decade of stagnant wages. Why? Because we invested in running up asset (house) prices, rather than investing in capital (plant and equipment), which would have increased labor productivity and ultimately wages. Running up house prices does not increase wages or benefit the working class. It's just a horrible form of [regressive theft](#) that benefits those with assets (houses) at the expense of those without.