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## The Housing Tax Credit Debate is Heating Up

by CalculatedRisk on 9/22/2009 02:36:00 PM

Really not much of a debate - most economists, left and right - oppose it.

Patrick Coolican has a great overview: [Economists say extending tax credit for first-time homebuyers is bad policy](#)

[I]t's not surprising that Nevada's congressional delegation has signed on to a plan to extend the credit and even make it more generous.

"It's working," says Rep. Dina Titus, the 3rd District Democrat. "You can see the positive impact of it. It really is stimulating the economy, helping Realtors and developers and homebuilders and individual homebuyers."

And from economists:

"It's terrible policy," says Mark Calabria of the libertarian Cato Institute.

"It's awful policy," says Andrew Jakobovics, associate director for housing and economics at the liberal Center for American Progress. "It's incredibly expensive. It's not well targeted."

...

"We paid \$8,000 to at least 1.5 million people to do something they were going to do anyway," Jakobovics says.

...

"A heck of a lot of people would have bought the house anyway," says Ted Gayer, an economist at the Brookings Institution.

...

The tax break, due to expire at the end of November, is on track to cost \$15 billion, twice what Congress had planned. In other words, it will cost \$43,000 for every new homebuyer who would not have bought a house without the tax break.

Gayer also questions whether moving people from renting to owning is really all that useful ...

The tax credit is one, albeit very expensive, way to create more households, but rental vouchers to get people out of their parents' basements should also be considered, economists say.

There is much much more in the article.

Here is a post [estimating the cost](#) of an additional housing unit sold.

Also, it seems the goal of any stimulus should be to create more households, not just move people from renting to owning.

Here is a quote from an economist who called the housing bubble (no link):



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*The housing tax credit is an enormously inefficient use of government resources, and it does not really focus on what the economy needs: more job creation, and a return to "normal" growth of households.*

*While I believe it is highly unlikely that it will be expanded – that's just REALLY TOO DUMB, even for Congress – I do think that the current credit will be extended for a bit.*

Thomas Lawler former Fannie Mae and Wall Street economist, Sept 18, 2009

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