Press Release

How Not to Blow Up the Housing Market

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The housing market remains a significant pain point for American consumers, leaving Congress and the federal agencies searching for ways to provide the nation with housing relief. In a new insight, Director of Financial Services Policy Thomas Wade cautions policymakers against potentially harmful intervention in the housing market.

Wade concludes:

Even in the best of times it can be difficult to parse the wide variety of economic indicators. Depending on interpretation, the housing market is either boiling or has already collapsed. The economy writ large is either strong or in a recession. Against this backdrop, the Fed is attempting to engineer a “soft landing,” decreasing inflation without triggering significant economic collapse. Part of this effort necessarily involves intentionally making the housing market more hostile for a time, as noted by Fed Chair Jerome Powell. While there is little Congress and the federal agencies can do to improve housing supply in the short term, they could do much in haste and good intentions that would further muddy the economic waters. At worst, further demand-side subsidies would undo the Fed’s efforts, increasing the pain of inflation, the risks of recession, and the length of economic recovery.

Read the analysis