This assessment leaves out telecommuting, but it is interesting...ken

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THE NEXT ECONOMIC LANDSCAPE

The housing bubble was the ultimate expression, and perhaps the last gasp, of an economic system some 80 years in the making, and now well past its "sell-by" date. The bubble encouraged massive, unsustainable growth in places where land was cheap and the real-estate economy dominant. It encouraged low-density sprawl, which is ill-fitted to a creative, postindustrial economy. And not least, it created a workforce too often stuck in place, anchored by houses that cannot be profitably sold, at a time when flexibility and mobility are of great importance.

So how do we move past the bubble, the crash, and an aging, obsolescent model of economic life? What's the right spatial fix for the economy today, and how do we achieve it? **The solution begins with the removal of homeownership from its long-privileged place at the center of the U.S. economy.** Substantial incentives for homeownership (from tax breaks to artificially low mortgage-interest rates) distort demand, encouraging people to buy bigger houses than they otherwise would. That means less spending on medical technology, or software, or alternative energy—the sectors and products that could drive U.S. growth and exports in the coming years.

Artificial demand for bigger houses also skews residential patterns, leading to excessive low-density suburban growth. The measures that prop up this demand should be eliminated. If anything, our government policies should encourage renting, not buying. Homeownership occupies a central place in the American Dream primarily because decades of policy have put it there. A recent study by Grace Wong, an economist at the Wharton School of Business, shows that, controlling for income and demographics, homeowners are no happier than renters, nor do they report lower levels of stress or higher levels of self-esteem.

And while homeownership has some social benefits—a higher level of civic engagement is one—it is costly to the economy. The economist Andrew Oswald has demonstrated that in both the United States and Europe, those places with higher homeownership rates also suffer from higher unemployment. Homeownership, Oswald found, is a more important predictor of unemployment than rates of unionization or the generosity of welfare benefits. Too often, it ties people to declining or blighted locations, and forces them into work—if they can find it—that is a poor match for their interests and abilities.

As homeownership rates have risen, our society has become less nimble: in the 1950s and 1960s, Americans were nearly twice as likely to move in a given year as they are today. Last year fewer Americans moved, as a percentage of the population, than in any year since the Census Bureau started tracking address changes, in the late 1940s. This sort of creeping rigidity in the labor market is a bad sign for the economy, particularly in a time when businesses, industries, and regions are rising and
falling quickly.

The foreclosure crisis creates a real opportunity here. Instead of resisting foreclosures, the government should seek to facilitate them in ways that can minimize pain and disruption. Banks that take back homes, for instance, could be required to offer to rent each home to the previous homeowner, at market rates—which are typically lower than mortgage payments—for some number of years. (At the end of that period, the former homeowner could be given the option to repurchase the home at the prevailing market price.) A bigger, healthier rental market, with more choices, would make renting a more attractive option for many people; it would also make the economy as a whole more flexible and responsive.

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