

Affordability isn't a hoax. It's also not a crisis for most, either

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When someone tells you that they are struggling, it is generally a good rule of thumb to take them seriously. So it was not the best political move for President Donald Trump to call the affordability issue a "hoax." Too many Americans are trying to cope with rising food prices and high costs for housing, health care and child care.

At the same time, it is important to note that there is not a widespread "affordability crisis" in the U.S. Some people are truly unable to keep up with basic necessities. Some have high expectations that their incomes can't meet. And some are doing fine.

Affordability has been an issue for years, but it became an acute problem when inflation spiked after the pandemic and there was a drop in real income. Inflation is still high, about 3%. But real income growth is still positive for most Americans, suggesting that income is rising to cover many of the goods and services that are increasing in price.

There are caveats. For the bottom quartile, real wages are not rising as fast as for the other two. And even for the middle class, real wages haven't risen enough to keep pace with the increase in some critical goods and services.

Measuring the overall impact of all this is a challenge, because different households have different needs and priorities. There have been some high-profile estimates that show the middle class falling behind, but they make some questionable assumptions.

For example, they typically assume that a middle-class family has two children who require care. Child care is expensive, and it is often necessary even after children start school (though once they do, costs do go down significantly). These costs are a real burden for many families, and more can and should be done to help them.

But this is not a nationwide crisis that affects a majority of Americans. In fact, only about 11% of American households contain at least one child under the age of six.

Another big expense facing Americans is housing. In urban areas, the rental value of a primary residence has increased nearly 30% since 2020, and higher interest rates on mortgages have made it harder for a lot of people to buy a home. But about two-thirds of American households are already homeowners, and about half of outstanding mortgages have a fixed interest rate that is less than 4%.

Yes, these conditions make it harder for these families to move, and it is more expensive for everyone who is not a homeowner. Yet it's difficult to argue that most households can't afford the cost of housing.

What about the cost of food? Food prices are up 27% since 2020 and are still rising about 3% a year. For lower-income Americans, this is a real burden and helps explain why their real incomes have fallen or are flat. The impact of tariffs is no doubt making things worse.

For the average household, however, food remains a small part of the budget.

My argument is not that affordability is not an issue. It is that we should be more precise about what affordability means, and for whom. Many of the more vocal complaints about affordability come from young childless households in large metro areas or those in the upper-middle or even upper class, and what they're complaining about is how they can't afford the trappings of affluence.

True, housing in cities has become more expensive than ever. Undoubtedly there are young people looking to build their careers in large cities who can't afford to do so. Like other generations before them, they may have to endure the hardship of not living in their ideal city or dealing with unpleasant roommates. Some of the challenges they face are new, but they are not remotely comparable to those of people on fixed incomes who struggle to afford food.

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Another source of affordability anxieties is the residual sticker shock of high inflation from a few years ago. Prices went up a lot, and while the rate of inflation has since fallen, actual prices have not come down. Incomes may have risen since then too, but not for all families. More generally, inflation is just a bigger risk than it was before, and the job market is worsening. All of this makes consumers more wary and darkens the economic mood.

Affordability is a genuine problem that requires more attention from policy makers. Expanding child-care options, for example, or reducing tariffs and housing regulations, would go a long way toward helping struggling families. But it's just as unhelpful to refer to the affordability crisis as it is to call it a hoax.

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