
Review Essay: The Council of Economic Advisers (2019) *The State of Homelessness in America* (The White House, Washington, DC).

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Introduction

Over eighty years ago, Keynes (1937) wrote: “Practical men who believe themselves to be quite exempt from any intellectual influence, are usually slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back.” News cycles are a lot shorter now; the “few years” have shrunk to a “few months” or a “few weeks,” and economists no longer have to be defunct before they have some influence. But we still have plenty of madmen in authority who style themselves to be practical men.

The frenzy that such madmen distill, however, is often not a thoroughly accurate depiction of the original academic scribbles. Stalin was not a perfect rendition of Marx; nor Bin Laden, of the Qur’an; nor Torquemada, of the Bible. The degree of fidelity of the renditions to the original sources, of course, has been the subject of enduring controversy.

My job here is to review the recent report of the US Council of Economic Advisers (CEA) called *The State of Homelessness in America*. This is an academic report, but it is hard to disentangle it completely from the policy actions and pronouncements that the Trump administration has been making since the report’s release. Indeed, the CEA is more closely tied to Trump than Marx was to Stalin, for instance: Marx was never on Stalin’s payroll. Any reasonably comprehensive discussion of Marx has to take a stand on how if at all Stalin fits in, and so I can’t review the report in isolation from what followed it: I have to take a stand on how Trump’s tweets and the policy that he appears to be working toward fit in with the CEA report.

The bottom line is this: the report's analysis is pretty good, the policies that the report recommends do not follow from the analysis, and the Trumpian initiative appears to deviate significantly from both the report's analysis and its recommendations.

Notice that I am being non-committal about what the Trumpian initiative on homelessness really is. Aside from expressing his dislike for Nancy Pelosi, the President has not yet set forth a clear policy. And he may never do so; after three years no one really knows what his policy on Iran, for instance, is either. The federal role in homelessness is not huge, especially in Los Angeles and New York, which spend large amounts of state and local funds, and his powers are circumscribed by a House of Representatives that the Democrats control, and by the short period left in his current term. But the tweets, some appointments, and a few official pronouncements in the bureaucracies give some idea of where he is heading.

This review will be organized around five main substantive areas of the report: housing supply, individual-level factors, better counting of homeless people, Housing First and transitional housing, and unsheltered homeless people. For each of these topics, I'll start with the report's analysis, then look at its recommendations, and finally see whether the direction that Trump policy appears to be heading follows from the analysis and recommendations.

Housing supply

Since the end of the Great Recession, homelessness—at least as measured in the Annual Homeless Assessment Report (AHAR)—has become more concentrated in a few large metropolitan areas, all of which are among the richest in the country. New York City and Los Angeles County have seen massive increases in homelessness, while homelessness has also risen in Boston, Washington DC, San Francisco, San Jose and Seattle. On average, outside these glittery metropolises, homelessness has declined. Wealth and homelessness have both become concentrated in the same places. While this phenomenon has not gone unnoticed, and is not even confined to the US, the report has done a good job of bringing it to the fore.

The report attributes rising homelessness in rich cities in large part to rising rents, in accord with conventional views (although none of the papers cited uses a quadratic specification in rents, which may match the data better). Standard urban economics predicts that rising productivity in the centre of a city implies rising wages as firms try to lure more workers to take advantage of higher productivity. Higher wages for some workers let them bid up the price of land in attractive places to live, and higher productivity induces firms to bid up the price of land directly as they scramble to expand production. As the price of land rises so do housing prices for everyone, since land is a major input into the production of housing.

So the report's analysis of the major cause of rising homelessness in the areas where it is rising is constructive and sensible.

The report's policy response to the rising tide of land prices is also commendable in its intentions. Instead of trying to engineer specially targeted escapes for small numbers of people, it seeks to hold land prices down generally through reasonably efficient universal policies. One such policy, for instance, would be following the lead of many European nations and setting a housing benefit programme as an entitlement. Another possible policy would concentrate on lowering the operating cost of low-income housing by reducing such things as water and sewer rates, or changing city ordinances that charge landowners for police responses to their properties. A third possible policy would be to repeal policies like Proposition 13 in California and the under-assessment of single-family houses in New York City that induce misallocations of land and housing. The report does not consider any of these alternatives, or ones like them.

The main policy initiative that the report recommends to reduce homelessness in big, rich cities is housing market deregulation, particularly loosening of zoning regulations, although it is vague on the specific changes it would like to see. The recommendation is based in part on Raphael (2010), which found a positive cross-section correlation between early AHAR rates of homelessness in a metropolitan area and a score on an aggregate index reflecting stringency of regulation on residential construction (the Wharton Residential Land Use Regulation Index).

Practically no economist would deny that a less-regulated housing market would probably eventually lead to lower rents and less homelessness, but it's not clear which regulations are best ones to loosen, how much a careful deregulation would reduce rents and homelessness, and how long the process would take. Careful analysis of the great volumes of detailed laws and administrative procedures is needed here; machine learning and natural language processing offer some exciting possibilities for research in this area.

Understandably, a report from the White House does not have time to wait for careful analysis. So it uses a well-known but controversial series of papers in urban economics to estimate how much optimal deregulation would reduce rents and homelessness in the long run. For me at least, this exercise backfires: after reading it, I believed that deregulation holds less promise for reducing homelessness than I did before I read it.

The report's exercise uses a series of papers by Edward Glaeser and Joseph Gyourko (henceforth G&G) (2003, 2018). (Full disclosure: I was the discussant for the first of these papers and raised many of the objections then (2003) that I'll repeat now. Murray (2019) offers a more current critique.) They think that a deregulated

housing market would act like a competitive market for a good like cornflakes. In such a market in long-run equilibrium the price of a box of cornflakes would equal the cost of making it. If the sale price were higher than production cost, somebody could come along and make more boxes of cornflakes, charge less than the market price while still making a profit, and so bid down the market price until it fell to production cost. If the sale price were lower than production cost, firms would either have to raise price or go out of business. In long run equilibrium, the only way that sale price can float above production cost in such a market is for the government to levy a tax on cornflakes. In that case, the difference between sale price and production cost would be the (per box) cornflake tax. If you got rid of the cornflake tax, the market price would fall by the amount of the tax.

G&G apply this reasoning to the housing market. For each metropolitan area, they calculate the production cost of an average (single-family detached) house, and compare it with the sale price. They call the difference the “zoning tax.” Just like the cornflake tax it represents government interference in the market. Arguably, the size of the zoning tax then tells us how much house prices would fall if zoning were abolished (just as the size of the cornflake tax tells us how much cornflake prices would fall if government interference in that market ceased). And so by comparing production cost to sale price, G&G can estimate how much house prices would fall in each metropolitan area if zoning and other regulations were abolished—all without looking at a single page of zoning code.

The CEA report takes G&G’s calculations, makes reasonable estimates of the fall in rents that a fall in house prices would cause, and then uses the best available estimate (from Corinth (2017)) of how much the resulting fall in rents would reduce homelessness. These steps are well done. The report concludes that this radical deregulation would induce modest but substantial reductions in homelessness: 54 percent in San Francisco (the city most affected), 40 percent in Los Angeles, and 23 percent in New York, for instance.

I say “modest” for two reasons, one minor and one major. The minor reason is that for some of these cities, the projected decreases bring homelessness back only to the level at the end of the Great Recession. For New York City, the projected percent decrease from radical deregulation would bring 2018 homelessness down to about 5 000 above its 2012 level, and for Los Angeles, the projected decrease would be to a level only about 1 500 below the 2012 number. For San Francisco, the decrease would be to a level well below 2012, but San Francisco is unusual.¹

¹ I am dealing only with the major federally-designated continuum of care in each metropolitan area, while the report deals with the set of continua of care for which the majority of population is in the metropolitan area. Reconstructing these sets of continua of care would require some time and access to the CEA work papers.

The major reason I say “modest” is that the G&G story on which the exercise is based is about long-run equilibrium. That “long-run” stipulation matters immensely, because houses and the attendant infrastructure are long-lived assets, and getting from where we are now to the long-run equilibrium or close to it would take a very long time—quite possibly forever, in fact. Just as expanded production of cornflakes is needed to force the sale price of cornflakes down to production cost after the cornflake tax is repealed, so too is an expanded stock of housing needed to reduce housing prices and rents in the G&G story.

For many reasons, that expanded housing stock cannot be built over night. Even if enough accessible vacant land were available to build on, builders would be constrained from a rapid expansion of the housing supply by the availability of skilled labour and possibly of certain building materials, as well as by their own and their lenders’ willingness to accept risk—better to build slowly and see what the market has an appetite for, rather than build quickly and discover too late that the market has no appetite.

This timing problem is exacerbated because much of the contemplated new housing stock would have to be built where development has already taken place—an unconstrained city would often have two-family houses where single-family houses now stand, ten-story apartment buildings where five-story buildings now sit, and so on. No known technology accomplishes these transmutations quickly and cheaply. Tearing down existing functioning buildings to replace them with new ones can be very expensive—not only because of the cost of demolition, but also because of the opportunity cost of losing the services of the existing building for the rest of its expected natural life. Buildings last for decades, even for centuries, and so the process of expanding the housing stock in areas already developed will take decades. That means that realizing the reductions in homelessness that the CEA report contemplates would also take decades, even if all zoning laws were eliminated today.

The process might even take longer to reach the equilibrium that G&G describe because of the peculiar way that they treat land. Land is a major component of the cost of housing—for instance, more than two-thirds of the value of the “house” in which I live in New Jersey is the value of the land (including the land under the structure) that comes with the structure. G&G derive the cost of land in each metropolitan area by regressing the property values of individual properties on structure and characteristics and the size (number of square meters) of the property’s land. Hence they use the “average treatment effect”—how much the average parcel’s value would increase if it were to gain an additional square meter. So what they use is the marginal value of land in the average parcel. In their equilibrium, every square meter under every house has this same cost.

When I think about the property I own, I would be willing to pay almost nothing to gain an extra square meter: there's almost nothing useful I could do with it, but I would have to maintain it. So for me and for many homeowners, I suspect, the marginal value of land is almost zero. But the average value per square meter of the land that I own is definitely positive, since the parcel taken as a whole is valuable to me and to many other people who would be willing to buy it if I put it on the market as an ensemble. So a first (and as I'll explain) naïve reaction to the G&G approach is that its use of marginal rather than average square meters wildly underestimates the cost of the land being used to produce a house, and so wildly overestimates the decrease in rents. Thus it overestimates the decrease in homelessness that deregulation could achieve.

The naïve reaction is myopic, however. Neither nature nor the market prescribed the boundaries of the parcels in my neighbourhood; the government did. And a smart market, according to the rejoinder to the naïve reaction, would not design parcels where the average value of a square meter differed from the marginal value. To see why, consider an unregulated developer designing building lots on a huge featureless piece of land (and forget about roads and parks to keep the problem easy). Then she would of course design every parcel to be the same size and shape, the size and shape that maximized average value per square meter. And that size and shape would have to make marginal value equal average value—which pushes back against the naïve view and justifies G&G's assumption.

For suppose that marginal were less than average. Then the developer could chop a few square centimetres off all the tentatively drawn parcels and add some more parcels of the new reduced size. The new parcels would have higher average value per square meter because the square centimetres they lost were producing less value per square meter than the square meters that remained. Similarly, if the marginal values are greater than average, the developer could add a few square centimetres to the tentatively optimal parcels, and since the new square centimetres would be producing more value per square meter than the ones they joined, average value would go up.

So if parcels are optimally sized by a smart market, the G&G procedure is very much the right one. After deregulation, then, market pressures could lead to redrawing parcel boundaries throughout the metropolitan area to adjust in the direction of optimality. And if deregulation were permissive enough, and time were long enough, then perhaps all the parcel boundaries could be redrawn optimally, and the low rents and low homelessness contemplated in the G&G exercise might be achieved.

But changing parcel boundaries in an existing city is going to take a long time. You can't just roll houses around on wheels, and stretch sewer and water connections like rubber. You would need to vacate and demolish large numbers of properties at

the same time to add or subtract a few square meters here and there. Meanwhile, the target would be a moving one as new technologies and tastes altered the optimal property sizes faster than natural market-driven redevelopment could reach them. And so, once parcel-redrawing is added to the mix, as it must be, the time to achieve the G&G equilibrium, if it ever can be achieved, is probably measured in centuries, not decades, if it can ever be achieved. In short, property redevelopment along redrawn property lines bears precious little resemblance to the evolving (or devolving) market for corn flakes and other breakfast products.

In this light, it is hard to be enthusiastic about a programme of deregulation as the centrepiece for resolving homelessness. In New York, for instance, if complete deregulation happened immediately (not a high probability political scenario) and long run equilibrium took only fifty years to achieve, the average annual projected decrease in homelessness would be 0.52 percent; if it took a century, the annual rate of decrease would be 0.26 percent. Even in the extreme case of San Francisco, fifty years to equilibrium would mean 1.55 percent a year decreases; a hundred years would mean 0.78 percent a year.

This is not to argue that specific, targeted, carefully-thought-out and studied changes to regulations are doomed to failure. Ideas like allowing granny flats or easing restrictions against rooming houses and shared residences are worth studying and possibly pursuing. Back-of-the-envelope calculations about pie-in-the-sky scenarios don't really tell us much more than this: the sky is very far away.

How have these recommendations been translated into policies? Hardly at all, and it seems as if the timetable for doing anything is very long. That is not surprising, considering how nebulous the recommendations are, and how much work has to go into learning about and deciding on specific steps (are the water pipe diameters that Los Angeles requires the right ones?). The report cites the White House Council on Eliminating Regulatory Barriers to Affordable Housing, a cabinet-level group that was established in June 2019, as evidence of Trump administration dedication. But as of January 2020 this group had no website, and its only action had been to issue a Request for Information to the public due at the end of January.

Otherwise, Los Angeles, San Francisco and New York have been frequent targets of the President's tweets, on account of their high levels of homelessness. But apparently the President has not read or considered his own CEA's report. If the report is correct that high and rising rents are the reason for the homelessness he decries, then he should think about why rents are high and rising. The ultimate reason is that a lot of people really want to live in these cities, and a lot of firms want to locate in these cities, and that is becoming truer over time. If these cities were not becoming more productive and more attractive to people, especially people who have the skills to do well in this economy, rents would not be rising, and

homelessness probably would not be rising either (or at least by as much). He should be praising these cities and asking what he could do to make the rest of America more like them.

Individual-level factors

The argument about individual-level factors is essentially that reducing the number of people who experience difficulties like poverty, substance abuse, mental illness, unemployment, and incarceration will reduce homelessness, *cet. par.* But because the report's authors are serious scholars, they see through this argument (p.22): "Although mental illness, substance abuse disorders, former incarceration, poverty, and weak social ties place individuals at higher risk of homelessness, the vast majority of individuals with any of these conditions is not homeless (even if all half million homeless faced all of these issues, there are millions of non-homeless Americans how face each issue as well)." Except for unemployment, I am aware of few if any of the many cross-section population studies have found any correlation between the number of people with these vulnerabilities and the number of homeless people (on the population level), and they know this.

The exact argument that the report makes also has some empirical pitfalls. They say (p.21) that a problem like mental illness and addiction "reduces the demand for homes and thus increases homelessness in a community." A shock that increased homelessness by increasing mental illness and addiction would therefore be accompanied by a falling price of housing. But as the report is clear, the rise in homelessness in the large rich cities has been accompanied by rising rents, not falling rents. The proximate cause of the current crisis is not an increase in individual problems. That by itself does not mean that the crisis could not be alleviated by measures that reduced substance abuse and mental illness (if any were known), but they would be partially offset by the rising rents they would spur.

More specifically, after more than thirty years of research, the only interventions we know of that reduce homelessness more effectively than waiting and hoping all involve some form of housing subsidy (O'Flaherty, 2019). Maybe there exist some interventions without housing subsidies that work, but we don't know what they are, and neither do the report's authors.

This report, however, seems determined to say that the Trump administration's general efforts to alleviate mental illness and substance abuse, as well as to promote prosperity, are significant factors in reducing homelessness. So the report just says this without any supporting analysis whatsoever.

There are many good reasons other than homelessness for a government to try to reduce mental illness, substance abuse, incarceration and poverty. There are many good reasons to promote prosperity. But if the report actually believes that homelessness properly defined and properly measured failed to decline in the Obama years when unemployment fell from 10.0 percent in October 2009 to 4.9 percent in January 2017, how can it expect the unemployment decline under Trump—from 4.9 percent to 3.5 percent in November 2019—to work any better?

Thus the conclusion that the report seeks to draw from the alleged connection between programmes that are designed to change personal characteristics and the Trump administration's performance is unwarranted, because the connection does not exist. That is an intellectual flaw in the report, but an understandable and harmless one.

Unfortunately, the uses to which this section of the report may be being put may not be so harmless. There are indications—from the past history of the new head of the Inter-agency Council on Homelessness, for instance, and greater willingness to fund transitional housing projects, for instance—that the administration may now be trying to encourage interventions targeted at substance abuse and mental illness and without a serious housing component. Nothing in the report explicitly supports such activities, and neither would any person who knew even a little bit about the past thirty years of research.

Better counting of homeless people

The report discusses data issues in two places. These concern the standard annual assessment of homelessness in the US, known as the Annual Homeless Assessment Report (AHAR). This is a single day-and-night survey taken around the same time everywhere in the country.

The report's first concern is that AHAR data are not of high quality, especially in the early years. We are probably too complacent about this, not even trying obvious techniques like weighted least squares to offset the unevenness of quality. However, alternatives are being tried now, like the enumeration processes that the Community Solutions non-profit organization is using in conjunction with its Built for Zero initiative.

The lesson that the report draws from these weaknesses is not the usual one that we should try harder. Rather the interpretation is that the triumphalist message that federal policies have worked over the last decade is probably wrong. The implication that nothing works is probably too strong. If one sets aside New York City and Los Angeles County from the rest of the nation because the massive increases in

homelessness in these locations overwhelmed any federal policies, the historical record for federal policy is not as bad as the report avows; in fact it's plausibly decent. But even with this stipulation, the CEA message is appropriately sobering.

Second, the report argues that if transitional housing residents are considered homeless, then rapid rehousing participants should be considered homeless too. This argument is part of the larger discussion dismissing the triumphalist story of federal homelessness policy history. Both transitional housing and rapid rehousing are short-term assistance programmes for people who are already homeless, and so the report concludes that they should be categorized the same way.

The report does not include or consider any counter-arguments, but the counter-arguments are facially compelling. HUD definitions actually make it quite clear why the AHAR divides the categories—the housing statuses are different. HUD defines transitional housing as “a project that has as its purpose facilitating the movement of homeless individuals and families to permanent housing within a reasonable amount of time (usually 24 months)” (US HUD 2019a). Rapid rehousing, by contrast, is “a form of permanent housing that is short-term... or medium term... tenant-based rental assistance.... , as necessary to help a homeless individual or family,... , move as quickly as possible into permanent housing and achieve stability in that housing” (US HUD, 2019b).

Thus the purposes are different: transitional housing is trying to get a household ready to live in permanent housing, while rapid rehousing is trying to help a household live in permanent housing. If you substitute the phrase “be a professor” for “live in permanent housing,” then transitional housing is a bit like graduate school while rapid rehousing would be a programme that helps untenured faculty (but faculty nonetheless) by giving them advice and training on teaching and some time off teaching so they can do research to publish. Classifying transitional housing participants as homeless and rapid rehousing participants as not homeless is no more “artificial” (to use the report’s adjective) than classifying graduate students as students and assistant professors as faculty.²

Whether we should be unhappy or happy about changes in the size of either group is a deeper question and requires more research, but empirical and philosophical. But there is no constraint that the two groups be treated the same way.

² One may try to argue, under the analogy above, that there is no logical difference between graduate student teaching assistants and untenured faculty, other than the arbitrary whims of bureaucrats. But that argument would have to be made, point by point. Likewise, the CEA report could have explained precisely why there is no worthy difference between transitional housing programmes and rapidly provided permanent housing. However, that particular argument is one that the CEA report declined to make.

I don't know whether any action is being taken on this recommendation.

Housing First and transitional housing

Housing First has come to mean many different things, as the report notes in a footnote, but whatever it might mean, the report doesn't like it. This general distaste for a label is hard to understand.

First let me discuss the strict "Pathways to Housing" version of Housing First, which I'll call Pathways HF, because it is well-defined (Tsemberis, 2010), has fidelity manuals (Stefancic *et al.*, 2013; Goering *et al.*, 2016), and has been the subject of RCTs (Stergiopoulos *et al.*, 2015; Aubry *et al.*, 2016). Pathways HF assures permanent housing and requires the housed individual to interact regularly with a case manager or therapeutic team, without mandating participation in particular treatments.³ The strong results are that Pathways HF reduces days of homelessness, relative to usual care, and does not make anything else worse (Aubry *et al.*, 2015; Benton, 2015; Aubry *et al.*, 2016). For the most part, evidence does not suggest that housing improves health (Kertesz, 2016; National Academies, 2018), with the likely exception of improved adherence and disease control for HIV/AIDS (Buchanan *et al.*, 2009; Towe *et al.*, 2019). These are all individual-level studies that look at the effect of treatment on the treated; there are no population-level studies that look at whether a policy that involves access to Pathways HF under well-defined circumstances reduces or increases the number of people who are homeless at a point-in-time.

The other uses of the phrase Housing First have not been well studied, and so there is no strong basis for liking them or not; there is even less reason that they should be treated the same way as Pathways HF. The two main approaches that fit into this category are non-Pathways permanent supportive housing, about which almost nothing is known, and rapid rehousing.

A variant of rapid rehousing involving housing subsidies for only a few months was studied in the Family Options RCT (Gubits *et al.*, 2016), but the sample was small and the study design allowed only intent-to-treat estimates rather than the more common treatment-on-the-treated estimates. In almost all dimensions, including length of stay in emergency shelters, this version of rapid rehousing was no different

³ In this regard the CEA report inadvertently mischaracterises Housing First itself. Service interactions are required under Pathways Housing First and the Veterans Administration programme modelled on Pathways, while participation in particular programmes of rehabilitation are not mandatory. The CEA report (page 2) summarises this as an "approach that does not have service participation requirements."

from usual care, but cheaper. Compared with transitional housing, there were also no differences in most domains, but rapid rehousing was much cheaper and participants were much more willing to participate in it.

While the phrase “rapid rehousing” seems to attach to the phrase “Housing First” these days, the intervention in the Family Options study that most resembled Pathways HF was termed permanent subsidies: families received Housing Choice Vouchers, or something similar. This intervention proved by far the most successful in promoting housing stability, self-sufficiency, and developmental outcomes, and it did not differ much in public cost from usual care and transitional housing.

Pathways HF and the HF-like permanent housing subsidies of Family Options thus stand out as two of the few interventions for which reasonable evidence of better performance on an individual level than usual care. They are the interventions known to be effective for treating people who are homeless.

But we don’t know how a policy of using either of these two interventions affects the level of homelessness on a population basis, and evidence on this question is sparse and indirect. The fear is that if people think they will receive subsidized housing without having to suffer through a humiliating therapeutic process or some other ordeal, more people might become or remain homeless.

In general we have no evidence on whether this fear is reasonable or not. The possible exceptions are the studies of subsidized placements of families from New York City’s family shelter system that I cited earlier. These find that subsidized placements do in fact reduce shelter population, but incentive effects are serious, and offset 60-80 percent of the shelter census reductions that these policies would otherwise cause. The bucket is leaky, but it still moves water. But many of these subsidies came after long shelter stays—on average families stayed in shelters 307 days before they left with a subsidy in the 2004-2008 period (Goodman *et al.*, 2014).

Corinth (2017) also sheds light on the population-level effects of programmes like Housing First, but says nothing about how much they might incentivize people to become or remain homeless. Using AHAR data, he finds that the local average treatment effect of adding 100 beds of what the AHAR reports as permanent supportive housing reduces the PIT count by around 8-10, but this is not statistically significant. This is not a small number, given the difference in dimensionality between PIT counts and PSH beds, and given what is known about other policies, like regular subsidized housing and placement subsidies for families. But we don’t know what permanent supportive housing as reported in the AHAR really is: how much of it is Pathways HF and how much is something else, and since the effect is local, how much of the variation in Permanent Supportive Housing that is being studied is variation on Pathways HF and how much is not.

The dimensionality issue is an important one. Corinth measures the effect of beds, empty or full, on point-in-time (PIT) counts. Consider an extreme case, where Housing First is working very much as it is supposed to, and there is no adverse behavioural response. Originally suppose there is a constant homeless population of 1 000. That number is the population because inflows match outflows at that population; it is a “steady-state” population, in economists’ terms, like the roughly constant volume of a reservoir with constant flows in and constant flows out. Now set up 100 Housing First beds. Fill those beds with 100 homeless people and assume—to keep the example stark and simple—that these 100 formerly people stay in Housing First “permanently”—that is, forever.

What happens to the PIT count? Immediately it falls by 100. Assume Housing First has no behavioural effects. So there is no change in the rate at which people flow into homelessness or in the rate at which they flow out. Then the PIT count will return to its original level, just as a reservoir that sprung a leak would return to its original level after the leak was repaired. So if you looked at the effect that the number of Housing First beds had on the PIT count of mature systems, you would find no effect.

Of course, people don’t stay in Housing First forever, and Housing First is unlikely to have precisely zero effect on flows into and out of homelessness. The actual formulas are quite complicated (see O’Flaherty 2019 for a precise statement in the exponential case). The point is this: even perfectly operating Housing First will not transmute a 100-bed increase in Housing First into a long-run 100-person decrease in homelessness, and measuring the relationship between Housing First beds and PIT counts can tell us almost nothing about the behavioural responses to Housing First.

The lack of direct evidence on either the behavioural question or the more general PIT-impact question is embarrassing and reflects poorly on the current state of homelessness scholarship. But it does not justify extirpating Pathways HF and HF-like permanent subsidies from the list of useful treatments. There are several reasons why this leap from weak evidence to banishment is unjustified.

The first reason is simple prudence. Pathways HF is likely to have some incentive effects, but as long as it’s targeted at chronically homeless people, these are not likely to be larger than the New York City incentive effects, and so not likely to reverse the first-order impact on homelessness.

The second reason is that these interventions are tools, not policies. Tools can be used well or poorly (hammers can drive nails that attach boards to each other to build a dog house; or they can break people’s arms). A policy for using Housing First includes such things as number of beds, eligibility rules, selection priorities, location of apartments, eviction procedures, and so on. Housing First can be

embedded in many different policies, and those policies are likely to have different incentive effects, and have different impacts on aggregate homelessness. One big reason to engage in population-level studies of Housing First is to learn which policies have the best effects on aggregate homelessness. We have a great tool, but we really don't know how to use it best yet. We have to use it (possibly disastrously sometimes) to find out how to use it.

Finally, discontinuing Housing First now would raise serious ethical challenges for many professionals. Physicians and social workers, for instance, have fiduciary obligations to the people whom they serve, but not to any abstraction like aggregate homelessness. My physician, for instance, is expected to treat an illness I have without thinking deeply about whether her treating me might allow me to drive a car this afternoon and crash into a school bus. So asking members of the helping professions to abjure that particular treatment of their clients which evidence has shown is the best for their clients raises serious ethical questions.

Let me point to an analogy. Since 1990 (about the time when Pathways Housing First was first piloted), medicine has made tremendous technological progress in treating people who already have heart disease. Any economist will tell you that because this technological progress made the prospect of heart disease less frightening, it may have incentivised unhealthy practices like eating meat and leading a sedentary lifestyle. It's even possible that the incentive effect overwhelmed the first-order effect of lives saved by the new technology, and the net effect is more lives lost. But absent a definitive study showing the new technology, all things considered, caused a net loss of life, it would be impossible to make today's physicians revert to using 1990s medical technology. And even if such a study existed, the discussion would be about how to limit and prioritise access to the best current technology, not about a blanket return to 1990.

Thus it is not surprising that the report does not make any recommendations about Housing First. It argues primarily that because of the lack of significant evidence of positive population-level effects (and, I would add, any accurate idea of how many Pathways Housing First beds are actually operating), Housing First should not get credit for any large part of any reduction in PIT homelessness since 2007. That is a fair point.

The closest the report comes to making a recommendation about Housing First is hailing the Trump administration's policy of allowing Continuum-of-Care to impose work requirements for some Housing First participants. This is not particularly informative, since it appears to be the CEA's policy to hail whatever the Trump administration does. But in this case the reaction is not completely silly; funding a randomized controlled trial on Housing First with some work requirements would not be a bad idea.

What about Trumpian policy? The idea of hiring a director for the Inter-Agency Council on Homelessness (aka “homeless czar”) who states his approach as “Housing Fourth” is not at all supported by the CEA’s report.

What about transitional housing? Since the Trump policy seems to be moving in the direction of changing individual characteristics, and since it seems to be against using Housing First, there is a possibility that it will shift funds from permanent supportive housing to transitional housing. The report, however, makes no recommendations about transitional housing and provides no analysis. The only discussion of transitional housing is taxonomic—whether it should be put into the same category as permanent supportive housing.

Unsheltered homelessness

The report provides an excellent summary of what we know about variation in the distribution of unsheltered homelessness across cities (following Corinth and Lucas, 2018). We don’t know much: temperature combined with the standard variables that usually work for aggregate homelessness do not explain a lot of the variation in unsheltered homelessness.

Accordingly, the report conjectures about possible missing variables and calls for more research. Policing could be one such variable in play (though not the only one possible). Since the FBI Uniform Crime Reports have data on all law enforcement agencies in the US (over 20000) it should be easy to ask whether adding a measure of police strength can explain any of the variation in unsheltered homelessness. For over 3000 law enforcement agencies, the Law Enforcement Management and Administrative Statistics (LEMAS) data set gives more detail on type of training, diversity, and style of policing, and so could provide more variables to explore. (However neither LEMAS nor any data set I’m aware of contains a repository of systematic information on how different police agencies respond to homelessness.) RCTs can also be done: in recent years homelessness has seen several RCTs and criminal justice have seen many, and so the expertise to experiment with policing strategies is easily available.

So, for the most part, the report’s analysis of unsheltered homelessness is sane and sensible. We ought to learn a lot more about how different kinds of policy affect homelessness and homeless people, especially how policing affects homeless people’s safety. We ought to experiment to find out more—and, of course, experiments should not violate standard protocols on protecting the safety and dignity of homeless people. Almost all of the report delivers a salutary call for such research. The only recommendation about unsheltered homelessness in the report is simple (p.19): “More research is needed to understand how different policing policies affect

the outcomes of homeless people—including their ultimate destinations, mental health, drug use, employment and other dimensions of wellbeing—as well as outcomes for non-homeless people.”

What about Trumpian policy? The report’s recommendation appears to have been rejected, or at least put on hold. As of January 2020, the National Institute of Justice’s list of forthcoming funding opportunities contained 18 opportunities, but none had anything to do with homelessness (<https://nij.ojp.gov/funding/forthcoming>, accessed January 19, 2020). Instead the policy, especially with the hiring of homeless czar, seems to be going in the direction of coercive policing and authoritarian mega shelters.

The report’s analysis, however, is not without weaknesses, and some of these weaknesses may have allowed policy to deviate so substantially from the recommendations (or President Trump may have gone in that direction no matter what the report said).

The first weakness in the report is the reference to President Trump’s executive orders. The conclusion (p.33) says: “The administration has through a series of executive orders consistently supported the police.” Only five executive orders have dealt with crime and policing (13773, 13774, 13776, 13809, and 13896), and not one of them bears even the most remote connection to the policing of homelessness.⁴ If future executive orders could help police forces respond constructively to homelessness, those are--as yet--unnamed.

The second weakness may be just a slip of the tongue. The report repeatedly says that the number of people sleeping on the streets depends, *ceteris paribus*, on the “tolerability of sleeping on the streets.” This is not good economics, and separately, it embeds an ethical oversight. The correct phrase is “relative tolerability,” in light of existing options. The word “relative” should remind us that policies that reduce homelessness by making people who would otherwise be homeless worse off hold a different ethical value than policies that reduce homelessness by making people who would otherwise be homeless better off.

“Relative tolerability” should remind us also of at least one relevant variable that the CEA report forgot to consider before it leapt instantly from “unexplained variance in unsheltered homelessness” to “let’s talk about policing.” That omitted variable

⁴ Executive order 13773 (9 February 2017) establishes a task force on transnational crime and drug trafficking. EO 13774 (9 February 2017) calls for steps to prevent violence against law enforcement officers. EO 13776 (9 February 2017) establishes a task force on crime reduction and public safety. EO 13809 (28 August 2017) loosens Obama-era restrictions on providing surplus military equipment to police departments. EO 13896 (28 October 2019) establishes a commission on law enforcement and the administration of justice (Federal Register 2019).

is shelter quality. By the optimising logic that the report uses repeatedly, unobserved variation in shelter quality is just as likely an explanation as unobserved variation in policing style.

Indeed, variation in *explanans* is needed to explain variation in *explanandum*, and it is quite plausible that shelter variation is greater than policing variation. Almost all police departments, for instance, operate 24-7, while shelters vary greatly in their hours of operation, with a significant fraction closing in daylight hours and many not allowing admission late at night. Shelters have different rules, permit different lengths of stay, accept different living arrangements, serve different food or none at all, proselytize for different religions or not at all, and offer different physical facilities. Police departments are often tightly constrained by uniform state rules and training standards, but shelters are not. Police departments in multi-state areas are all governed by federal circuit court decisions on the constitutionality of various police practices, and Supreme Court decisions about constitutionality bind all police departments.⁵ Nothing comparable forces uniformity among shelters.

A comparison between New York City and Los Angeles County⁶ illustrates this point. It's just an anecdote, but an important anecdote since New York and Los Angeles account for almost a quarter of US homelessness. Los Angeles and New York are about the same size in both housed population and homeless population, but Los Angeles's unsheltered homeless rate is well above the predicted rate that the report calculated, and New York is well below its predicted rate. (The prediction accounts for temperature and the standard variables that predict total homelessness.) In the CEA's world that difference is probably due to differences in policing. But shelter quality and quantity differ enormously: as recently as fiscal year 2016, New York spent more than 14 times as much as Los Angeles did on homelessness. It is hard to imagine the Los Angeles police departments would be so poorly funded relative to the New York Police Department. Nor do New York cops make Los Angeles cops look like milquetoasts: civilians in Los Angeles City were over five times as likely to be killed by police as civilians in New York City in 2015-2016 (O'Flaherty and Sethi, 2019, Table 8.1, p.149) and the Los Angeles Sheriff's Department, which patrols much of the county outside Los Angeles City, alone

⁵ In the case of *Martin et al. vs. City of Boise*, the Ninth Circuit of Appeals recently ruled that "the Cruel and Unusual Punishments Clause of the Eighth Amendment [of the US Constitution] precluded the enforcement of a statute prohibiting sleeping outside against homeless individuals with no access to alternative shelter... [A]s long as there is no option of sleeping indoors, the government cannot criminalise indigent, homeless people for sleeping outdoors, on public property, on the false premise they had a choice in the matter." (No. 15-35845, p. 3) The Supreme Court has declined to review this case, and so it applies everywhere in the country.

⁶ Specifically, by "Los Angeles" I mean the Los Angeles City-County Continuum of Care, which includes all of Los Angeles County except the cities of Glendale, Long Beach, and Pasadena.

killed more than 60 percent more civilians than the entire New York Police Department in 2016, although performing over 80 percent fewer arrests (Montiel Olea *et al.*, 2019, slide 60).

The final weakness in the analysis is the lack of recognition that the theoretical relationship between aggressive policing and aggregate homelessness is ambiguous—it could go either way. The theoretical relationship is important here because we lack empirical work. Aggressive policing no doubt will discourage some entries into homelessness, and will probably make homeless people more eager to exit, but exiting homelessness requires the means to do so, not just a desire. If aggressive policing reduces exit rates enough, it could even increase homelessness.

Herring *et al.* (2020) is a compendium of possible mechanisms through which aggressive policing could prolong homeless spells: loss of medications in sweeps and property destructions, citations which if paid reduce resources for future rent and if unpaid turn into warrants that could lead to disqualification from subsidised housing and a suspended driver's license, destabilisation of people suffering from mental illness when they are forced to leave familiar surroundings or locked up in jails, loss of information about contacts and loss of tools that can be used for employment when property is destroyed or confiscated, loss of time that could be spent making money or searching for work when jailed or forced to show up at courts or police stations.

Coercive policing also feeds into cheap authoritarian shelters, as we may be seeing in the Trump initiative. Stuart (2014), for instance, describes how the Los Angeles Police Department acts essentially as a recruiting agent for the mega shelters of Skid Row, which might have a hard time breaking even without its active assistance. These authoritarian shelters hamper the ability of homeless people to make contacts, to find work, and to hold jobs.

The issue is autonomy. Autonomy is a tool that people (homeless or not) use for both consumption and production. Adam Smith's invisible hand, for instance, was a celebration of the power of personal autonomy in production. Policing and shelter regimes that reduce homeless people's autonomy (to work late and leave early, for instance) reduce homeless people's ability to produce and so make it harder for them to exit homelessness. The goal of these regimes is to reduce autonomy in consumption, and they do that as well, but autonomy would not be autonomy if you could constrain consumption without constraining production. There is no free lunch.

I'm not arguing that homeless people's autonomy should be unbridled (any more than Smith argued that non-homeless people's autonomy should be unbridled). The argument is only that restrictions on autonomy create social losses in reduced production and reduced means of homeless exit, and how big these losses are is an empirical question—about which we currently know nothing.

Conclusion

The CEA is not Marx to Trump's Stalin, or even a Svengali. They are Trump's apologists, not his gurus.

But still, you should read the report. And then read it again slowly. It's not a lot longer than this review. As I've mentioned, it has an annoying habit of making transitions of the form: (a) we don't know x; (b) hence let's talk about the things that Fox News is interested in. There is no attempt to say that (a) implies (b), and once you realise that you can relax. But aside from this, the report contains much that is serious and accurate.

New York, Los Angeles, San Francisco and several other big rich cities in the US have seen staggering increases in homelessness since the end of the Great Recession, and current levels of homelessness in those cities are unprecedented in modern times. This is the major issue in American homelessness today, and the report is right to emphasise it.

And the report is mainly right to emphasise that the existing literature has demonstrated few attractive evidence-based approaches for lowering homeless populations of the size now found in these cities. Scholarship has done well in developing interventions that can be applied on a case-by-case basis and advice that can be given to people who are homeless or at risk of homelessness—and that is very important. But we have done less well in developing advice that can be given to a mayor. I say "mainly" because several papers with reasonable claims to be able to say something about causality have shown effective policies for reducing the number of sheltered families without increasing the number of unsheltered families (Goodman *et al.*, 2014 and Goodman *et al.*, 2016 for prevention, and Cragg and O'Flaherty, 1999, O'Flaherty and Wu 2008 and New York City Independent Budget Office 2012 for post-shelter placement in subsidised apartments), but sheltered families are a much more important component of homeless population in New York than elsewhere in the country.

In general, population-level studies that identify the effects of richly described policies are rare, and those that exist generally find disappointingly small results. For instance, Early (2004) estimates that 100 units of traditional subsidised housing

would reduce the point-in-time (PIT) homeless count by about 3.8 to 5, Evans *et al.* (2016) find that the availability of funds at a homeless prevention hotline reduces homeless entries by about 2 per hundred callers aided, and Corinth (2017) finds that 100 units of permanent supportive housing reduce the PIT homeless count by up to 10. So, for instance, reducing Los Angeles's PIT count by 30 000 would require at least 600 000 new units of traditional subsidised housing units or 300 000 permanent supportive housing units. To date, Los Angeles has not considered investments on this scale.

Even the policies that seem to work for New York's sheltered families may be hard to extend to single adults, either in New York or on the West Coast. One problem is that prevention may not scale easily: providing services to five times as many people may not guarantee that five times as many people who would otherwise become homeless will show up at the front door of a prevention unit. The New York City prevention programme for families averted around 50 shelter entries a month when it was operating at full strength (Goodman *et al.*, 2016); that is not going to make much of a difference in Los Angeles with probably close to 3 000 entries a month (von Wachter *et al.*, 2019). However, the recent big data advances by von Wachter *et al.*, may transform the effectiveness of prevention activities. These advances seem to make predictions about who will become homeless an order of magnitude more accurate.

So the report, if you take it seriously, should serve as a helpful goad to reduce complacency. Realise that when we cannot find an answer, Fox News is likely to make one up, and their answer will be taken very seriously.

But the readers of *European Journal of Homelessness* are not the only people who should read the report. President Trump should read it, too, and read it very carefully. If he reads it carefully, and notices scrupulously what implies what, then he will see that not even his own Council of Economic Advisers can find any grounds for supporting the policies that he appears to be embarking on.

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