

# The Housing Crisis Explained—With Mini Fridges

In a household of four guys, fridge space is what you might call prime real estate. I know this because I happen to live in one such household.

For months we tried sharing the one fridge in the house. It was not pleasant. We had to have regular negotiations about how to allocate the limited space. These negotiations were complicated by the fact that everyone had an assortment of short and tall objects they wanted to store in the fridge, and with the layout of the fridge tall space was especially scarce.

The issue got particularly pressing when multiple members of the household, each on their own schedules, would happen to do groceries on the same day. On those days, putting our food in the fridge felt like playing a game of Tetris. We eventually started shifting our diets so we would need as little fridge space as possible. Creating big containers of leftovers also became quite risky, so we had to pivot away from large meals.

Frustrated at the situation, one of my housemates finally came up with an ingenious solution: buy a mini fridge. His motives were purely selfish—he made it clear that the mini fridge would be for his food only. Yet the increased supply in the face of scarcity was a clear benefit to us all, so we eagerly approved the decision. The minor increase in our electricity bill and the reduction of space in the living room were negligible costs compared to the immense practical benefit.

Of course, once there is a little more breathing room, things lower on the priority list start to become viable contenders for fridge space (leftovers, alcohol, etc.). As such, the main fridge was still rather crowded. But with the idea of

increasing supply as a solution to high demand now in our heads, we knew what to do next. A few months later, a second housemate got a mini fridge, and a few months after that a third housemate got one as well.

So yes, our house now has a main fridge and *three* mini fridges. I'm pleased to report that fridge space is now very plentiful. We have so much of it that we have now put everything in our fridges that we would ever want to, and we *still* have more space left.

## Artificial Scarcity

Our household's creative solution to our fridge-space problem got me thinking about another shortage-of-space problem: the housing crisis.

It's no secret that housing affordability is becoming a serious issue. The [median house price](#) in the US was \$417,700 in Q4 of 2023 compared to \$329,000 in Q1 of 2020, a 6.8 percent increase after adjusting for inflation (\$417,700 in December 2023 is \$351,282 [in January 2020 dollars](#)). Rents have likewise outpaced inflation, [increasing](#) from a median of \$1,600 in early 2020 to \$1,964 in December 2023—a 3.2 percent increase in 2020 dollars.

And prices were already high in 2020.

Younger people in particular feel the weight of these trends. In a 2022 [study](#) by Freddie Mac, 34 percent of Gen Z adults said homeownership at any point seems out of reach financially, up from 27 percent in 2019.

How does fridge space relate to the housing crisis? Well, we simply need to recognize that fridge space is a kind of *real estate*, and the parallels quickly follow.

In the housing market, like the fridge-space market, real estate is scarce. There are more people who want a house than

there are houses. This means there will be a lot of competition for a relatively small number of properties.

To address this problem, the resources need to be rationed in some way, that is, allocated to various individuals. In our household fridge, we rationed it by giving everyone roughly a quarter of the space. In the housing market, rationing takes place using the price mechanism, with houses for sale going to the highest bidder.

In both cases, more scarcity means more dire circumstances. If we had an additional housemate or a smaller fridge (assuming no mini fridges), fridge space would have been even tighter. Likewise, a housing market with more people or fewer houses would result in higher prices. This is the basic logic of supply and demand.

But the parallels don't stop there.

Let's say our landlord has a prejudice against mini fridges for some reason. Maybe he doesn't like the way they look, or he doesn't like them taking up space in the living room. To dissuade us from adding mini fridges, he could make an elaborate set of rules about their use. "You're allowed mini fridges, of course. I care about you having fridge space," he might say. "But I need to have some oversight here. The rule is, you can only put mini fridges outdoors or in your bedrooms. Also, you need to receive a permit before you add a mini fridge."

What would this do to our household fridge economy? Clearly, it would be detrimental. While we would certainly appreciate the right to put mini fridges outdoors or in our bedrooms, those aren't very convenient places for them. It would almost be better to go without. And the paperwork adds yet another barrier which makes us think twice before bringing in a mini fridge. If someone was on the fence about adding a mini fridge ("on the margin" in economic terms), these rules might well be

the deciding factor. That is, they would decide against adding a mini fridge, even though they would have decided *for* a mini fridge if the rules hadn't been in place.

While it's true the landlord hasn't prohibited mini fridges outright, and has even expressed his concern about limited fridge space, it's clear that his actions are getting in the way of a solution to the fridge-space issue. Whereas the freedom to add mini fridges empowered us to deal with our scarcity problem, the restrictions mean fridge space will continue to be hard to come by. And if we had another person come live with us—if the “population” of the house grew—the scarcity would become even worse.

The analogy to housing should be obvious. When a government places restrictions on the development of new housing, such as with land-use regulations and cumbersome permitting schemes, they are making it harder to add new supply to the market. “You can't put a mini fridge in the living room, only in your bedroom” is like saying “you can't build housing in this conveniently located greenbelt area, only way outside of town where the inconvenience likely outweighs the benefit.” Zoning a certain neighborhood for low-density housing is like zoning the living room to only allow one mini fridge instead of three. Demanding that a laundry list of permits and licenses be acquired for new developments is like giving the housemates tons of paperwork for adding a mini fridge.

If the population of a region increases even slightly with all these supply restrictions in place, is it any wonder why housing prices get out of control? Just as more people competing for a limited amount of fridge space necessitates more stringent rationing, fiercer competition for a limited amount of housing also necessitates more stringent rationing—which translates to higher prices when we're talking about a good on the market.

# Identifying the Culprits

Note that the housing problem would be solved quite easily in the absence of government land-use regulations, just like our fridge problem was easily solved because our landlord wasn't micromanaging how we use the space in the house. When people perceive that a resource is especially scarce, they act to increase its supply. It is only when increasing the supply is artificially restricted that scarcity remains a significant problem.

To put it another way, the problem is not so much that there is scarcity, but that *the forces which would normally reduce scarcity are being interfered with.*

Once we understand this, it becomes clear who the real culprits are for the housing crisis: the very politicians and bureaucrats who market themselves as the "solution" to this problem.

This is hardly a new insight. Economists and other scholars have been making this point [for decades](#), and in recent years there has been a [growing cross-ideological consensus](#) on the matter. As the left-leaning economist Paul Krugman [has said](#) regarding zoning, "this is an issue on which you don't have to be a conservative to believe that we have too much regulation."

The appeal of this issue to left-leaning economists begins to make more sense when we recognize that zoning laws confer a kind of monopolistic privilege on certain landowners. Edward Facey [cites](#) a penetrating book review making this point.

*If several real estate developers agreed together to restrict the number of apartment buildings in a community so as to give themselves a monopoly advantage, the public would be scandalized. But if these same developers were to go to the local zoning board and suggest that good urban planning,*

*protection of property values, (whose? theirs?) and preservation of the existing pattern of community life called for such restrictions, then this would be civic responsibility of a high order and applauded by all right-thinking people. This is because we persist in thinking that monopoly is bad but zoning is good. Tunnel vision like this keeps us from seeing zoning for what it is—an agency of monopoly and government granted private advantage.*

Landlords are often vilified for high rents. But the people who really deserve the blame are those who advocate for stringent zoning laws, greenbelts, permits, and the like. Of course, sometimes those advocates are landlords, especially since homeowners are the main beneficiaries of restrictionist land use policies. But it's important to conceptually distinguish landlords qua landlords from those lobbying for housing restrictions.

The true villains in this story are not the people bringing more supply to a market characterized by artificial scarcity. It's the people imposing that artificial scarcity in the first place who need to answer for the crisis they've created.

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