



**BOOKS**

Making sense of Madoff. Three new books try to explain the man and the swindle **W8**



**SUMMER SCOOPS**

Tuesday at the WSJ's culture festival, Bill T. Jones, the choreographer behind 'Fela!', plus 'Passing Strange' co-creators Stew and Heidi Rodewald on collaborating. Tickets, [WSJ.com/LincolnCenter](http://WSJ.com/LincolnCenter)

# WEEKEND JOURNAL.

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Saturday/Sunday, August 15 - 16, 2009 **W1**



## The New American Dream: Renting

It's time to accept that home ownership is not a realistic goal for many people and to curtail the enormous government programs fueling this ambition. By Thomas J. Sugrue

**A** MAN IS NOT A WHOLE and complete man," wrote Walt Whitman, "unless he owns a house and the ground it stands on." America's lesser bards sang of "my old Kentucky Home" and "Home Sweet Home," leading no less than that great critic Herbert Hoover to declaim that their ballads "were not written about tenements or apartments...they never sing about a pile of rent receipts." To own a home is to be American. To rent is to be something less.

Every generation has offered its own version of the claim that owner-occupied homes are the nation's saving grace. During the Cold War, home ownership was moral armor, protecting America from dangerous outside influences. "No man who owns his own house and lot can be a Communist," proclaimed builder William Levitt. With no more reeds hiding under the beds, Bill Clinton launched National Homeownership Day in 1995, offering a new rationale about personal responsibility. "You want to reinforce family values in America, encourage two-parent households, get people to stay home?" he said. George W. Bush similarly pledged his commitment to "an ownership society in this country, where more Americans than ever will be able to open up their door where they live and say, 'welcome to my house, welcome to my piece of property.'"

Surveys show that Americans buy into our gauzy platitudes about the character-

A 1970 photograph from Bill Owens's "Suburbia" series, above; suburban sprawl in Placer County, Calif., below.

building qualities of home ownership—at least those who still own them. A February Pew survey reported that nine out of 10 homeowners viewed their homes as a "comfort" in their lives. But for millions of Americans at risk of foreclosure, the home has become something else altogether: the source of panic and despair. Those emotions were on full display last week, when an estimated 53,000 people packed the Save the Dream fair at Atlanta's World Congress Center. Its planners, with the support of the Department of Housing and Urban Development, brought together struggling homeowners, housing counselors, and lenders, including industry giants Bank of America and Citigroup, to renegotiate at-risk mortgages. Georgia's housing market has been devastated by the current economic crisis—338,411 homes in the Peachtree state went into foreclosure in May and June alone.

Atlanta represents the current housing crisis in microcosm. Since the second quarter of 2006, housing values across the United States have fallen by one third. Over a million homes were lost to foreclosure nationwide in 2008, as homeowners struggled to meet payments. The number of foreclosures reached an all-time record last month—when owners of one in every 355 houses in the country received default or auction notices or were seized by creditors. The collapse in confidence in securitized, high-risk mortgages has also devastated some of the nation's largest banks and lenders. The home financing giant Fannie Mae alone held an estimated \$230 billion in toxic assets. Even if there are signs of hope on the horizon (home prices ticked upward by 0.5% in May and new housing starts rose in June), analysts like Yale's Robert Shiller expect that housing prices will remain level for the next five years. Many economists, like the Wharton School's Joseph Gyourko, are beginning to make the case that public policies

should encourage renting, or at least put it on a level playing field with home ownership. A June 2009 survey commissioned by the National Foundation for Credit Counseling, found a deep-seated pessimism about home ownership, suggesting that even if renting doesn't yet have cachet, it's the only choice left for those who have been burned by the housing market. One third of respondents don't believe that they will ever be able to own a home. And 42% of those who once purchased a home, but don't own one now, believe that they'll never own one again.

Some countries—such as Spain and Italy—have higher rates of home ownership than the U.S., but there, homes are often purchased with the support of extended families and are places to settle for the long term, not to flip to eager buyers or trade up for a McMansion. In France, Germany, and Switzerland, renting is more common than purchasing. There, most people invest their earnings in the stock market or squirrel it away in savings accounts. In those countries, whether you are a renter or an owner, houses have use value, not exchange value.

For most Americans, until the recent past, home ownership was a dream and the pile of rent receipts was the reality. From 1900, when the census first started gathering data on home ownership, through 1940, fewer than half of all Americans owned their own homes. Home ownership rates actually fell in three of the first four decades of the 20th century. But from that point on forward (with the exception of the 1980s, when interest rates were staggeringly high), the percentage of Americans living in owner-occupied homes marched steadily upward. Today more than two-thirds of Americans own their own homes. Among whites, more than 75% are homeowners today. Yet the story of how the dream became a re-

ality is not one of independence, self-sufficiency, and entrepreneurial pluck. It's not the story of the inexorable march of the free market. It's a different kind of American story, of government, financial regulation, and taxation.

We are a nation of homeowners and home-speculators because of Uncle Sam.

It wasn't until government stepped into the housing market, during that extraordinary moment of the Great Depression, that tenancy began its long downward spiral. Before the Crash, government played a minuscule role in housing Americans, other than building barracks and constructing temporary housing during wartime and, in a little noticed provision in the 1913 federal tax code, allowing for the deduction of home mortgage interest payments.

Until the early 20th century, holding a mortgage came with a stigma. You were a debtor, and chronic indebtedness was a problem to be avoided like too much drinking or gambling. The four words "keep out of debt" or "pay as you go" appeared in countless advice books. As the YMCA told its young charges, "If you can't pay, don't buy. Go without. Keep on going without." Because of that, many middle-class Americans—even those with a taste for single-family houses—rented. Home Sweet Home didn't lose its sweetness because someone else held the title.

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Bill Owens/James Cohan Gallery (top); SuperStock (below); Getty Images (Books); Montage; Carboni (Summer Scoops)

