

## **Essay on Housing Sector's Securitization and Free Market's Impact on Housing Economy**

Initially, the speaker's assumption of housing/sheltering rights being human rights is not true from my perspective. Since the Industrial Revolution, moral philosophers and economists have been arguing about the nature and scope of human rights incessantly. The main distinctions between them are where Human rights come from and whether we have the right to violate some people's rights in order to provide more essential rights for other people who are worse off. Because in practice there are many examples where the rights of some people are in conflict with the rights of others. In the example of funding of housing, the main problem is people who can not afford good and stable accommodation, are mostly funded by taxpayers which brings us to the point that the rights of taxpayers are violated. To overcome this problem, some philosophers invented a term called "negative rights" which allows us to achieve consistency in terms of mutual rights. According to the Wikipedia page, we can summarize the idea of negative rights as "Under the theory of positive and negative rights, a negative right is a right not to be subjected to an action of another person or group such as a government, usually occurring in the form of abuse or coercion. Negative rights exist unless someone acts to negate them. A positive right is a right to be subjected to an action of another person or group.". From my perspective, instead of having a housing right, people do have the right to not be damaged to their housing/sheltering by someone. The state's role is to protect people from getting their housing damaged or obstructed by somebody, not providing them with the "right" housing. In fact, governments do not have enough resources to fund every person to make them live in good housing conditions.

Although the speaker only emphasizes the cons of the housing sector being financialized/funded by giant finance companies, there might be some pros about it as well. Finance companies have a crucial role in the allocation of capital in the economy, which means that their work is to understand and act appropriately to the shifts in the demand and supply in the market to gain more profits. The creation of housing is often considered a scale economy, which means when capital gets larger in spent on building living spaces, the supply amount of housing increases which decreases the price of housing and also allows more people to find housing. Thus, the economy of housing has become more efficient. Indeed, housing securitization usually has negative effects in the short term but in the long term, it also has some positive sides as well. For example, a finance company or a speculator decides to buy a house or housing-backed security when the house prices are down and hopes it to increase in the future will start selling those houses when the market starts to heat and thus, they will supply those houses to the economy and decrease the house prices when the house prices are started to increase. The more efficient the market gets, the more stable the prices get which has a crucial role in the economy. Speculators may have negative effects in the short run but in the long run, they have a very important role in making prices stable and predictable. Also having housing prices more stable makes it is more safe to invest in housing which increases will on giving loans or financializing those houses by banks.

Also, there might be a different cause of problems in housing. Perhaps the real problem is not in the housing market, it might be because we have not achieved enough wealth to provide every person with enough safe housing. When we think about the past, which was much worse, we will see that the main problem was not the wrong-allocated housing; it was only because of our lack of technology and not enough resources and capital for providing everybody with good-level housing. Maybe reallocating those houses from those financial institutes to people who cannot afford them will solve the problem in the short run but the real problem in housing will remain. The only way to solve it is to make supplier firms find more efficient ways to build new houses. It can be thanks to new technologies, for example, some new enterprises are trying to build housing in more efficient way, there are some famous firm who tries to produce small houses for less costs especially for poor people who cannot afford houses, by 3d printers. If they can achieve producing houses for lower prices they can maybe

solve the problem of housing in the long run by decreasing the capital and sources needed to supply new houses for the market.

Although these examples are not for the whole industry they show our main idea about solving problems not only in the housing sector but also in every different sector in the economy. For the long term it is always better to have a free market enough for competition (there are some cases where that free market causes monopolistic or oligopolistic comp. but it is a different topic to argue) which allows and encourages to companies come up with more efficient ways of production (similar to “creative destruction” by Schumpeter) which creates the only real source to wealth: increase in efficiency.

Finally, there might be short-term benefits to regulations in housing. In some cases, it can be necessary because the market is not always balanced in the short term or the equilibrium point may not create wealth necessary for every person to live. Despite the long-term benefits of the free market, rule makers can put some regulations that won't have strong negative effects on the market in the long run. For example, the Housing bubble in 2008 was one of the consequences of the government's help to make most of the people homeowners, however, their plan succeeded in the short term, long term it caused a bubble and a crisis because the real problem was about making those people wealthy enough to buy those houses in the real economy, not providing them with loan opportunities that they are not able to pay-back.