An Economic Perspective of Homelessness

Following the statements made by Federal Territories Minister Datuk Seri Tengku Adnan Tengku Mansor on soup kitchens and the homeless – where he banned soup kitchens from operating within a two kilometer radius of Lot 10 in downtown Kuala Lumpur – and by Women, Family and Community Development Minister Datuk Seri Rohani Abdul Karim on soup kitchens, the homeless and tourists – where she suggested that soup kitchens ‘spoil’ the homeless and ‘feed’ the wrong target groups such as tourists – I have read many op-eds and viewpoints that lambast these statements and the ban on soup kitchens and some, for the sake of fairness, that defend these views. Understandably, the majority of viewpoints opposing the statements of our Ministers are argued on the grounds of compassion, human rights and the harsh realities of soup kitchens and the homeless. On the other hand, I cannot truthfully say I understand the majority of viewpoints that defend our Ministers’ statements.

In digesting those various perspectives, I realized that a particular perspective was missing – an Economics one (not the same as an ‘economic’ one). Perhaps it is worth exploring homelessness and the ‘logic’ of the ban on soup kitchens as a policy from an Economics perspective. Thus, this note does not seek to critique our Ministers’ views of the homeless – plenty of others have already done so – but rather to evaluate the economic rationale on homelessness and the ban on soup kitchens. Admittedly, I am no expert on the Economics of homelessness, so I turned to where I am most familiar – academic research on the Economics of homelessness.

As a caveat, the findings and hypotheses that I put forward in this article are solely based on United States data and hence, it is not necessarily true that the lessons we learn from the United States are externally valid and transferable to the Malaysian context. I would have undertaken the analysis on the Malaysian context if there was data on the homeless in Malaysia (perhaps this should be a request from the Ministry of Women, Family and Community Development to Malaysia’s Department of Statistics) but, even if there were, like how they treat most of the taxpayer-funded data collection in Malaysia, Malaysia’s Department of Statistics would probably not want to release the anonymized micro-data.

According to Kevin Corinth, an Economics PhD student at the University of Chicago, the homeless in the United States over-represent vulnerable segments of society. For instance, of those who are severely mentally ill in the United States, those who are chronic substance abusers and those who are victims of domestic violence, about 18%, 22% and 12% are homeless. From a source of income standpoint, based on data from the National Survey of Homeless Assistance Providers and Clients, 37% of the Homeless are employed, 18% had supplemental security income and 15% received some income from relatives and friends.
There are costs of homelessness as well, both to the homeless and to society. For instance, a research paper by David Morrison, a Reader of Public Health at the University of Glasgow shows that the homeless have a 1.6 times greater death rate compared to the non-homeless. Other costs to the homeless include isolation from networks, psychological effects and difficulty in accessing health treatment and government benefits. Of course, there are costs to society as well. For instance, those who run shelters cannot deny that it does cost economic resources – labor, money, time – to operate these shelters; these resources could certainly be channeled to other means in the economy if homelessness were not an issue. Then there are emergency room costs, enforcement costs and, finally, the one cost that was specifically mentioned by our Federal Territories Minister, the homeless are “offensive” to the non-homeless. Personally, I think his statements would have had more gravitas if he had discussed the other economic costs but I think it is a little strange that he only chose to mention the “offensiveness” of the homeless to the non-homeless.

Now, if we acknowledge that there are indeed costs – to both the homeless and society – of homelessness, then there is room for some action to be taken. Our Minister has chosen his path of action – to ban soup kitchens within a 2 kilometer radius of Lot 10. In fairness, there is an economic rationale to this – though I confess I cannot say if the Minister thought of his ban in these terms, especially since a standard Malaysian political maneuver to things they do not like is to ban those things – which is to increase the ‘price’ of homelessness. For instance, various cities in the United States do have laws and ordinances criminalizing homelessness such as a prohibition on sleeping and begging in public areas. Other cities take a more indirect approach such as to reduce the availability of public bathrooms. Though, that said, I do not think – and I may be entirely mistaken – I have ever seen a case where the ban is on the soup kitchens and/or the homeless shelters (i.e. those who are just trying to help) as opposed to the homeless themselves.

There are also other policies that could help alleviate the issue of homelessness that are, perhaps, less abusive on the homeless. I focus on one particular alternative policy here which is to decrease the price of housing. In the economics literature, there have been several papers that attempt to understand the effect of housing prices on homelessness. These studies find that decreasing the price of housing does reduce homelessness, albeit modestly. However, encouragingly, the studies find that while major housing programs (which do serve the broader population and not necessarily just the homeless) have only a small effect on the homeless, homeless assistance programs do have a large effect on homelessness. Programs along these lines include emergency shelters for households that suffer large adverse income shocks, transitional housing programs that help users re-enter labor and housing markets and supportive housing programs. These programs are consistent with findings by University of California at Berkeley economists John M. Quigley (passed away in 2012) and Steven Raphael who present results suggesting that “simple economic principles governing the availability and pricing of
housing and the growth in demand for the lowest quality housing explain a large portion of the variation in homelessness...Furthermore, rather modest improvements in the affordability of rental housing or its availability can substantially reduce the incidence of homelessness…”

To be fair to the Minister, if he has undertaken a comprehensive study comparing his policy ban on soup kitchens (again, a ban on those who are trying to help) to a policy on targeted homeless housing assistance and found that his policy is the more effective one, then fair play to him. I am, however, skeptical that this has happened given the marginal propensity of Malaysian politicians to declare bans. In this note, I have tried to be as positive, in the Economics sense, as I could but I do want to close with a normative statement. While the Economics perspective is important and must play a role in policymaking, perhaps what is more important when it comes to community development is virtue, and not just because this is the holy month of Ramadan. We should, at all times, strive to treat everyone equally and not cast those we do not “like” as “the other.” This means taking time to understand the problems and costs they face just like we would for people we “like” and showing the same level of compassion, kindness and respect to every human being.