

►jamin Franklin wrote a letter to a friend noting how the use of lead in distilleries had caused North Carolina to complain against New England Rum “that it poison’d their People, giving them the Dry Bellyach, with a Loss of the Use of their Limbs.”

In 2015 the Institute for Health Metrics and Evaluation, a research institute in Seattle, estimated that exposure to lead globally caused about 500,000 deaths that year and 12% of developmental disabilities, such as cerebral palsy and epilepsy. Another estimate is that lead poisoning costs Africa \$135bn a year in lost output, the equivalent of 4% of GDP.

The most urgent task is to stop putting more lead into the environment. As people in Asia and Africa become richer, they start to spruce up their homes. But the paint they use, even from pots labelled “lead-free”, often contains it. And they lack facilities to recycle lead batteries properly.

It is neither difficult nor expensive to stop using lead. All countries should ban lead in paint. There should be no exemptions for industrial use, because the contamination spreads and industrial paint inevitably finds its way into the consumer market. Yet only four sub-Saharan African countries have for-

mally enacted bans and local manufacturers are often unaware of the harm that lead causes.

The next step is to find and remove more of the lead introduced decades ago, particularly in rich countries. This will not be cheap, especially when the clean-up involves replacing lead pipes, as it often does in America. But the costs are worth it. The Pew Charitable Trusts, an NGO, reckons that every dollar spent on “lead abatement”—painting over old painted walls or removing flaking woodwork—saves at least \$17 in medical and special-education costs, and lost productivity.

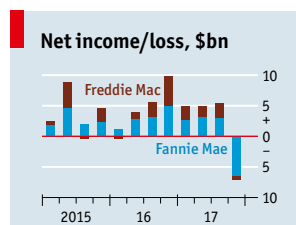
In America investigations are typically carried out only in known cases of lead poisoning. However, children should not be used to test dangerous living conditions. It would be better to test older houses before problems appear.

Cities and states need to make sure that landlords carry out remedial work. When poor owners cannot afford to fix their homes, the government should help as a prophylactic to save money on health care and education later. Charities that seek to help sick children and poor countries can contribute, too. There is no need to poison so many young minds. ■

Housing reform

Tackling Fannie and Freddie

America’s taxpayers continue to shoulder too much risk in the housing market



IMAGINE how worrying this month’s stockmarket turbulence would have been had taxpayers been on the hook for any losses. Fortunately, the government does not guarantee shares. But there is an asset class that is also vulnerable to changes in

sentiment and interest rates and which Uncle Sam does stand firmly behind: housing. In 2017, through entities such as Fannie Mae and Freddie Mac, the Treasury guaranteed 70% of all new mortgage lending. The taxpayer’s total exposure to housing is enormous, at over \$6trn, or 30% of GDP, but it is hidden off the government’s balance-sheet. Reform is long overdue.

Evict or eviscerate them

Fannie and Freddie were rescued by taxpayers during the financial crisis. They both recently announced that they need another infusion of public cash. Since taking charge of the firms, the Treasury has absorbed their profits and run down their capital buffers. Now it takes only a small loss to render them technically insolvent. Their recent losses were not caused by falling house prices, but by write-downs resulting from President Donald Trump’s tax reform. The episode serves as a reminder that, in the event of a housing-market downturn, the taxpayer’s obligations could be immediate and large.

Politicians have fought over the future of Fannie and Freddie for years. Today the problem sits with the Senate Banking Committee, which is considering a draft proposal to replace them with multiple privately capitalised firms, whose equity holders would suffer first during any slump. The government would maintain an insurance fund, supported by fees levied on the firms, to cover catastrophic losses—similar to how bank deposits are insured. The hope is that competition between

the new firms would prevent any one entity from becoming too big to fail, and would encourage innovation.

Another idea is to keep the duopoly in place, but to turn Fannie and Freddie into utilities, privately capitalised but with regulators capping returns. This would in principle prevent shareholders and executives from getting rich by selling mis-priced taxpayer guarantees, as they did before the crisis.

This newspaper would prefer the government to get out of the housing market altogether. The state has no business subsidising home buyers, let alone standing behind most mortgage lending. Alas, complete withdrawal is a political non-starter. Fannie and Freddie make possible the 30-year, fixed-rate, prepayable mortgages Americans have come to expect.

Fortunately, both proposals are vast improvements on the status quo. Either would apply the same remedy to the housing system as banks received after the financial crisis: bigger safety buffers. If Fannie and Freddie were capitalised to the same standards as banks and forced to make adequate profits, taxpayers would be left with only the remote risks that markets find it hard to price. Regulators could easily reduce even that subsidy later, by increasing the insurance fee.

The question is whether any reform can attract the necessary bipartisan support. Democrats fret about reducing the poor people’s access to credit. They need not. The Senate’s proposal would make it easier to channel money specifically towards low-earners. Today’s system supports high-risk mortgages indiscriminately, enabling imprudently indebted rich buyers to benefit from support intended for poor families.

Republicans, meanwhile, may be tempted to hold out for more radical change. They should instead recognise the political reality—that some subsidies will survive—and compromise. The longer today’s system endures, the greater the risk to taxpayers. Almost a decade after Fannie and Freddie were rescued, it is long past time for America to finish the clean-up. ■