

The Phony Case Against **RENT CONTROL**

BY JOHN ATLAS AND PETER DREIER

The nation's housing crisis is a manageable problem. It is simply a matter of national priorities. In 1980, for every dollar spent on housing, the Federal Government spent \$7 on the military. By 1988, for every housing dollar, Washington spent more than \$40 on the military. Federal housing policy needs a major overhaul, based on the premise that decent affordable housing is a basic right.

Today, among the most urgent tasks are to defend rent control and to promote the construction of affordable housing for poor and working-class families.

The National Coalition for the Homeless estimates the homeless population at between two and three million. An increasing percentage of these are families and the working poor who simply can't afford housing on their low wages. Workers near the poverty line are now paying more than half of their limited incomes just to keep a roof over their heads. The only roof that many can find is over a vacant building, or an abandoned car, or an emergency shelter.

"Homelessness is a national tragedy of appalling proportions," said Jack Kemp, George Bush's Secretary of Housing and Urban Development, at his confirmation hearings. But if Kemp pursues the right-

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wing agenda on housing, he will only deepen that tragedy.

Housing advocates hope that Kemp, who probably harbors greater political ambitions, will take a pragmatic rather than an ideological approach as a way of building a constituency among the poor, the housing industry, and big-city mayors. One early test of Kemp's thinking will be his response to pressure from the real-estate industry, right-wing think tanks, and conservatives in Congress who are waging a holy war against rent control.

Across the country, rents are skyrocketing. According to a recent study by the Harvard Center for Housing Studies, rents are now at their highest level in two decades. Tenants are intensifying their demands for rent control, but the basic premise of rent control is under assault by right-wingers and their allies.

What's behind this new attack on rent control? For landlords, it's a simple matter of greed. While studies demonstrate that rent control allows apartment owners a reasonable profit, it does limit unbridled rent-gouging and real-estate speculation. For New Right thinkers, the battle is part of the larger ideological assault on regulation of the private sector; they view rent control as both an unwarranted interference with private-property rights and a misguided effort to preserve affordable housing. And for some politicians, opposition to rent control is an easy—if obvious—way to curry favor with campaign contributors from the real-estate industry

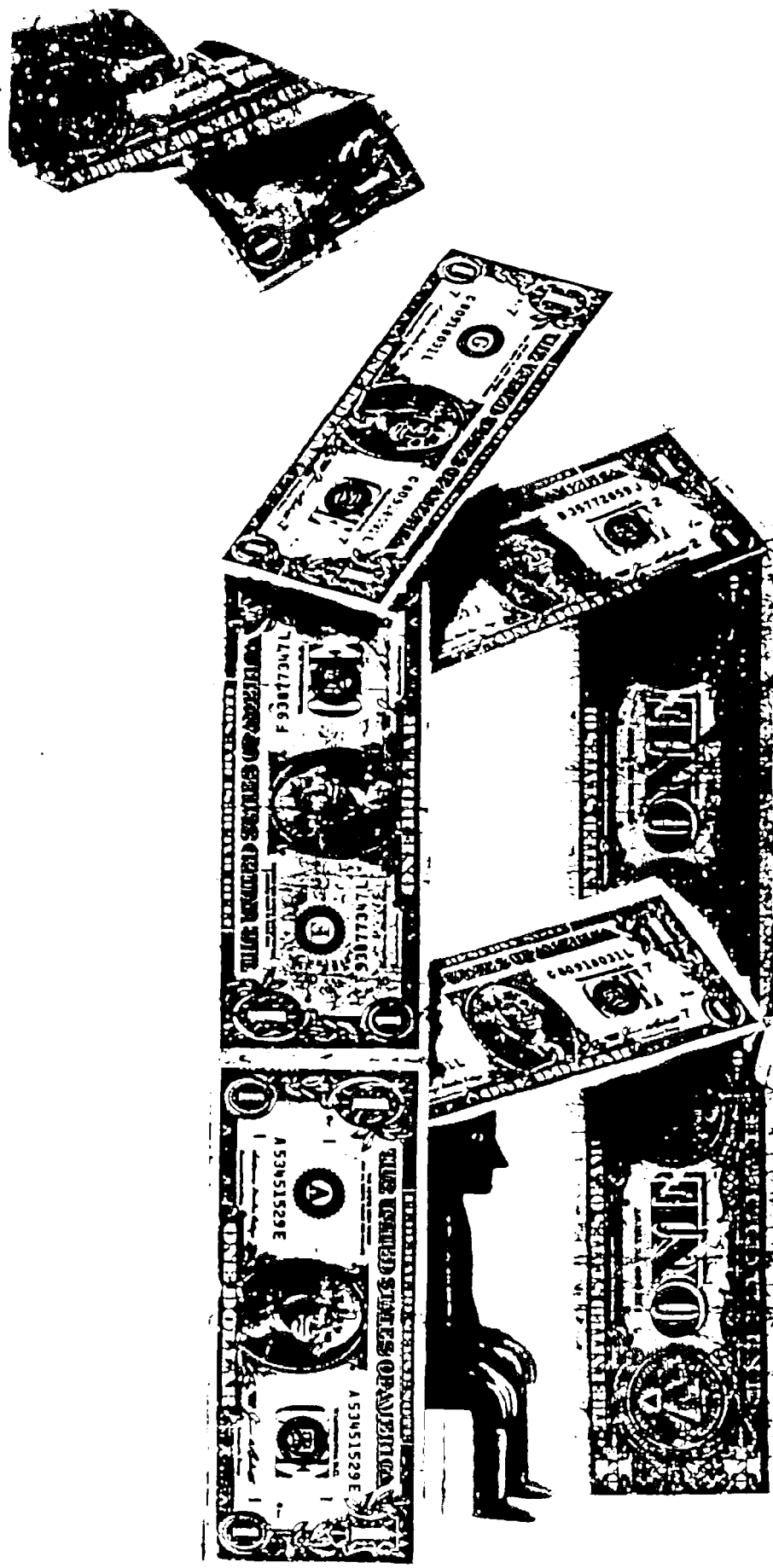
and win plaudits from conservative opinion-leaders.

But the case against rent control is a fraud: Rent control is a scapegoat for the nation's housing ills and for the failure of free-market housing policy.

Rent control has helped slow down gentrification, curb displacement of poor and working-class families, and minimize the disruption of neighborhoods that otherwise would have collapsed under the pressure of free-market forces. In housing, the invisible hand often carries an eviction notice.

The Heritage Foundation claims that rent control actually causes homelessness. In a recent study prepared by right-wing journalist William Tucker, the Heritage Foundation purported to show that rent control makes housing "more scarce and expensive for everybody."

Tucker looked at fifty cities and found that seven out of nine with rent control also have the largest homeless populations. The fact that forty-one of the cities with sizable homeless problems did *not* have rent control—proving that rent control doesn't cause homelessness—didn't bother Tucker. He noticed a strong correlation between low vacancy rates and rent control. "A 1 per cent decline in the vacancy rate was roughly associated with a 10 per cent increase in homelessness," he said. By some twisted logic, he then concluded that rent control causes homelessness.



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LANE SMITH

In fact, the reverse is true. When there is a severe housing shortage and low vacancy rates, rents begin to escalate. Low-income tenants get pushed into the streets and shelters. Those tenants who can hold on start to push for rent control.

Arguing that rent control causes homelessness is like arguing that the sun comes up because the rooster crows. Tucker concedes that his analysis "cannot prove cause and effect"—it can only demonstrate coincidence. But, he claims, "once correlations have been discovered, however, we can theorize about what the causal connections might be."

Despite the obvious holes in Tucker's theorizing, he has become an intellectual stalking horse for the Right. Though he had demonstrated no prior expertise in housing policy, his initial study of rent control was funded by the libertarian Cato Institute and housed at the Manhattan Institute, another right-wing think tank that sponsored Charles Murray, whose *Losing Ground* attacked welfare as the cause of poverty.

Tucker has sold himself as a housing expert, and his articles have appeared in *The American Spectator*, *The Wall Street Journal*, and *The New Republic*, on the cover of William Buckley's *National Review*, and on the op-ed pages of *The New York Times*.

He is a clever propagandist. In an article in *New York* magazine, he offered readers \$50 to send in examples of "rich and famous" New Yorkers living in rent-

controlled apartments. When Morton Downey Jr. did a show on rent control, he invited Tucker, who dutifully bashed tenant activists. Just a few days before Bush announced his choice of Kemp for Housing and Urban Development, the Heritage Foundation called a press conference and brought Tucker to the podium to remind the audience that the thousands of New Yorkers sleeping on grates and in shelters only had rent control (and its liberal proponents) to blame.

Tucker and the Right have made headway in their attack. Twice in the last two years, *The New York Times* has run editorials opposing rent control. One of these, attacking Governor Mario Cuomo's plan to retain rent control, was headlined MR. CUOMO PROMOTES HOUSING CRISIS.

And last May, conservative Senator William Armstrong, Republican of Colorado, added a last-minute amendment to the bill reauthorizing McKinney Act funds for the homeless. Armstrong's measure required HUD to study how rent-control laws might be causing homelessness. The amendment passed, and HUD has until October to produce the report.

About 200 cities—including New York, Boston, Los Angeles, Washington, and San Francisco—have adopted some form of rent control. Conservatives are hoping that Jack Kemp will withhold Federal housing funds from these municipalities until they eliminate rent control.

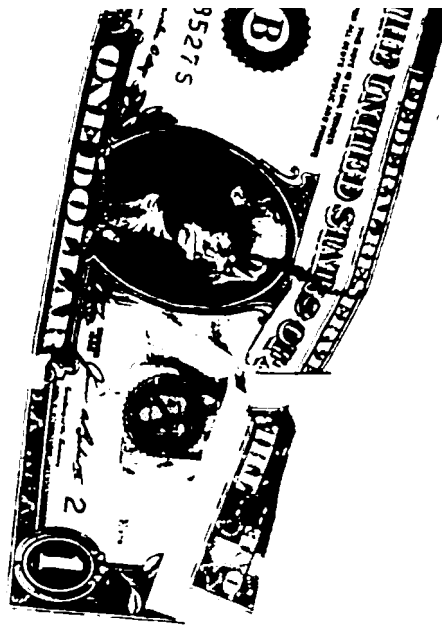
Most people, using common sense, recognize that rent control helps prevent homelessness. In fact, the arguments against rent control crumble when confronted with evidence based on experience.

Rent control has had no adverse impact on new construction, housing maintenance, abandonment, or property taxes, conclude two social scientists, Richard Appelbaum of the University of California and John Gilderbloom of the University of Louisville, in their book, *Rethinking Rental Housing*.

For example, in New Jersey, which has about half of all cities in the country with rent control, developers continue to build as many apartments in communities with rent control as in communities without it. Indeed, Appelbaum and Gilderbloom have shown that some cities with rent control actually outpaced those without in the construction of new apartments.

A recent study of local rent control conducted by the Urban Institute to evaluate the program in Washington, D.C., found that rent-control policy primarily benefited the elderly, the poor, and families with children, typically saving households \$100 a month. Rent control in Washington was found to have little impact on new construction, repairs, or housing values.

Most local rent-control laws exempt all newly constructed housing, guarantee a fair



'Rent control helps prevent homelessness, not create it.'

and reasonable return on investment, and allow annual rent increases as necessary to cover increases in operating costs. Rent control simply limits extreme rent increases where landlords can otherwise take advantage of tight housing markets. And any builder will confirm that the volume of new apartment construction depends less on rent control than on land prices, zoning laws, changes in interest rates, the income and employment of an area, and the availability of Government housing subsidies.

Still, some neoliberals claim that housing assistance, like Social Security, should be limited to the poor to make it more efficient and equitable; in other words, they favor a means test. But programs that serve only the poor are demeaning and often less efficient, requiring an added bureaucracy to check for cheats and, more importantly, to undercut broad public support for the program itself. Compare Medicare for the middle class with Medicaid for the poor.

In New York City, such critics as William Tucker complain that rent control helps Mia Farrow, Ed Koch, and other affluent tenants. But even in New York City, most tenants pay more than they can afford: 70 per cent of all renters have household incomes of less than \$25,000 a year.

Rent control was not designed to be a welfare program but a consumer-protection policy. Appelbaum and Gilderbloom demonstrate that despite the diversity of apartment ownership in many cities, landlords operate as a monopoly, setting price levels through networks such

as real-estate boards. In that way, they resemble a local gas or electric utility. And no one asks government utility boards to regulate the price of gas and electricity only for low-income consumers.

Those who attack rent control because it assists the wealthy along with the poor should logically favor Federal housing entitlements for low-income tenants and a beefed-up Federally subsidized housing-production program. But that would cost billions of Federal dollars and probably require a tax increase on the rich—policies conservatives and neoliberals don't like.

And if fairness is the overriding issue, the Government should cap the homeowner tax deductions for mortgage interest and property taxes so that they primarily help poor and working-class families, not the wealthy, whom they currently favor. These deductions cost the Federal Government more than \$35 billion last year—four times the HUD budget. About \$8 billion of that went to the 2 per cent of taxpayers who earn more than \$100,000—with a bonus for those with two expensive homes. Most home owners benefit minimally from such deductions; half do not claim them at all. Tenants, of course, whose incomes are on average half that of home owners, are not eligible.

As President Bush and Secretary Kemp will soon discover, the housing crisis is intensifying, not only for the poor but also for the middle class. The level of home ownership is declining for the first time in decades, and the rate of home-mortgage foreclosures is the highest in memory.

The entire housing system—including the savings-and-loan industry—is in shambles, with the homeless only its most visible victims. Ronald Reagan must bear much of the blame. His housing policy was designed to eliminate Federal subsidy programs, particularly those that helped build low-rent housing. Reagan cut housing subsidies more than any other Federal program—from \$33 billion in 1981 to \$8 billion this year. In the 1970s, Federal assistance helped to build 200,000 to 300,000 new low-rent apartments a year. This year, the number will barely reach 15,000.

Home ownership has actually declined in the 1980s, the first decade since World War II to register such a drop. Many would-be home owners, especially couples with young children, are now reluctant renters. As a result, demand for apartments has increased and rents have skyrocketed, placing an extra burden on the poor, who now must compete for scarce apartment dwellings.

How will Bush and Kemp respond to the crisis?

At the press conference announcing Kemp's appointment, Bush was asked point-blank whether he intended to ex-

pand the housing budget and how he expected to deal with the homeless problem. Bush declined to answer the first question and, in response to the second, reaffirmed his support for the McKinney Act. That law—establishing a small-scale program to help private agencies and church groups create more shelters and soup kitchens—appears to be his favorite solution.

In his Inaugural Address, Bush talked about the tight Federal budget. "Our funds are low," he said. "We have a deficit to bring down. We have more will than wallet; but will is what we need." And though he mentioned the problem of homelessness in his first budget speech in February, Bush continued to slight housing expenditures, implicitly endorsing Reagan's proposed \$1 billion cutback.

Kemp, for his part, has pledged to hold the line. "I don't believe we're going to balance the budget by cutting housing," he said at his first press conference with Bush. But Kemp is no New Dealer or Great Society advocate. He told *The Wall Street Journal* on February 16 that he wants to use "the greatest tool that has ever been designed to battle poverty: entrepreneurial capitalism."

Kemp's most likely response will be to expand the Reagan program to give poor people "housing vouchers" to help them pay rent for apartments in the private market. Conservatives like the voucher approach because it relies on private market forces and is obviously cheaper than building new subsidized apartments. In the December 12 *Wall Street Journal*, economist Edgar Olsen claimed that vouchers can serve more poor families for the same money than building new low-rent apartments. But because apartments are so scarce, that's like providing food stamps to the poor when the grocery shelves are empty.

In fact, about half of the low-income tenants who now receive vouchers return them unused because apartments are scarce and most landlords prefer more affluent tenants to the poor—even those with Government vouchers. Despite all the talk about the cost-effectiveness of vouchers, the Reaganites last year provided only 100,000 vouchers nationwide—far from the six or seven million low-income households that potentially need subsidies in the private market.

Even an expanded voucher program won't work unless Washington helps enlarge the overall supply of affordable housing. The National Low-Income Housing Coalition wants Bush and Congress at least to double the housing budget (to about \$20 billion) from its current level of 1 per cent of all Federal spending.

Such an increase—which few housing advocates on Capitol Hill expect will get a friendly reception in the White House—would still leave housing programs far poorer than they were when Reagan took

office in 1981. A bill introduced by Representative Barney Frank, Democrat of Massachusetts, calling for an additional \$15 billion for affordable housing, is considered a big-spending proposal in today's Gramm-Rudman climate.

The challenge for housing activists, however, is not only finding more money to allocate but ensuring that the money is well spent. Here, housing activists have scored some successes. In cities across the country, thousands of community-based nonprofit housing developers are meeting the housing needs of poor and working-class people. (See Page 28). With virtually no Federal funding, these nonprofit entrepreneurs have patched together financial support from local governments, private foundations, and churches to build and rehabilitate low-income housing. To turn these local efforts into a successful national housing program will require support from Washington.

Where are we now? Unfortunately, the political conditions do not exist to guarantee that every American has decent and affordable housing. Bush and Congress are in no mood to make additional expenditures. To free up the money, Congress would have to cut the military budget and increase taxes on big business and the wealthy, neither of which seems likely.

Yet, public-opinion polls sponsored by the National Housing Institute and other groups reveal widespread support for a renewed national housing program and even for tax increases to pay for such a program. This sentiment must be transformed into political support before specific legislation can be enacted.

The legislation lies waiting. Representative Ron Dellums, Democrat of California, has sponsored a bill that would provide direct Federal capital grants for public or nonprofit housing, an approach common in Europe. Such a program would represent a radical departure in the nation's housing history as significant as the tenement-reform laws at the turn of the century or the public-housing acts of the 1930s.

But a comprehensive progressive housing program is unlikely to get serious attention in Congress so long as progressive forces are fragmented and isolated. The strategic question is what housing agenda is both politically possible and progressive—a stepping stone toward more fundamental reform.

At the moment, a key strategy must be to defend rent control. On its own, it can't solve the housing crisis; it is, simply, one tool available to local government to deal with astronomical rents and a shortage created in Washington. But rent control can enable large numbers of poor and working Americans to have a roof over their heads. That is the least we can do. ■

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