

# REAL ESTATE WEEKLY

## Assembly Candidate Blasts Rent Control

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Assembly Candidate, 65th A.D.

One of the clearest violations of free market philosophy in the housing area is our rent control legislation. It amounts to denial of the widely-accepted view that consenting adults have the right to make contractual arrangements without outside interference.

I think it is important to demonstrate that rent control—and indeed any law which interferes with the rights of people—must inevitably lead to poor results. It is my opinion that rent control causes slums, promotes discrimination in housing, leads to overcrowding and underutilization of housing, and interferes with mobility.

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### Against Controls

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What rent control actually accomplishes, in its attempt to keep rents down, is to raise the price of non-rent controlled apartments higher than they would have been in the absence of rent control. It does this by discouraging the construction of new residential buildings, in as much as owners come to fear the imposition of rent control on their new units. And this fear occurs even though, under present law, rent control does not apply to dwellings built in the future.

Anything that decreases the housing supply will raise the price of housing—so the tenants of non-rent controlled apartments are made worse off by rent control.

#### Most Tenants Lose

What about the tenants in rent controlled apartments? A few may benefit, but the overwhelming majority do not. The latter pay lower rents, all right, but they are worse off because of the decrease in services and maintenance in their buildings.

Why does this happen? First, because the financial incentives to maintain the property have been stripped from the landlord. And second, even if some landlords maintain their buildings out of a sense of duty or obligation they soon enough suffer grave losses—and are either forced into bankruptcy or else held back from expanding the scope of their real estate activity. In either case, under rent control, the market penalizes those landlords who attempt to maintain the quality of their buildings.

#### Vicious Circle

The decrease in maintenance leads to a vicious circle in which the decay of each apartment and each building encourages decay in every other apartment and building on the block and in the neighborhood. Thus, services which owners would be able to provide in a free market must now be performed by amateur "block associations" and tenant groups. But these part-time associations cannot match the quality of services which professional landlords themselves can provide.

Vacancy decontrol has, of course, given owners some financial incentive—so long as there are at least several decontrolled apartments and the prospect of more to come. But the building generally has to be in a high rent, luxury area; otherwise, there is no sense investing in the hope of getting decontrolled apartments which will not be worth much when they arrive.

In such areas, the tenants are likely to benefit from great bargains. But virtually all of these tenants are rich, older people who have been living there for many years. And the few who aren't are likely to be government bureaucrats, especially housing and rent control bureaucrats who have taken advantage of their positions to obtain 12-room apartments with river views in some of the finest older apartment houses in Manhattan. Indeed, these limousine liberals can sometimes obtain such apartments for less than \$100 per month.

Dr. Walter Block, an economist, is running for State Assemblyman under the banner of the newly-formed Free Libertarian Party, whose objectives include a free economy and less government bureaucracy. Dr. Block is an Assistant Professor in the Economics Department at Baruch College and has previously taught at New York University and Rutgers University. His opponent is the incumbent, Assemblyman Andrew Stein.

#### Long-Time Owners Hit

Landlords who have continuously owned their buildings since rent control began in 1943 are, of course, the ones who lose out most. They've lost hundreds of millions of dollars in housing values—and some whose buildings have been subject to the vicious circle of housing decay have simply walked away and lost everything.

Some people have argued that it is unfair to force a small part of the population—i.e., landlords—to subsidize the poor via rent control; if the poor are to be subsidized, they should be subsidized by the entire population, not by a small persecuted minority.

This argument, as far as it goes, is correct—but it does not go far enough. The actual case is a lot worse. It is bad enough to single out landlords and force them to subsidize the poor—but the truth of the matter is that the poor almost certainly do not benefit from rent control! So landlords end up subsidizing rich people and government housing bureaucrats. And this is certainly unfair, because in many cases the rich tenants are far better off than the landlords.

#### Society Loses Out

Unfortunately, even this argument does not go far enough. The actual experience is even worse. It is bad enough to force landlords to subsidize rich tenants; at least someone gains from the theft of the landlord's return. But in actual point of fact, many millions of dollars of housing values lost by landlords do not go to anyone. They are what economists call "dead weight loss"—losses to society as a whole.

One need only look around New York City to see what rent control has done to society. Abandoned buildings, decay, vermin, filth—there are the products of a system which has denied one group of people a fair return on their investment. Clearly, the present system is unfair and outdated, and it must be changed.

Readers interested in assisting or finding out more about Dr. Block's candidacy or about the Free Libertarian Party can write to the Block for Assembly Committee, care of L.F. Bookstore, 208A Mercer St., N.Y. 10012.