

Housing Projects and Rent Control Should Crumble

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Most governments interfere directly in housing markets, usually by regulating rents and building publicly owned rental units. Unfortunately, rent controls and public housing often worsen living conditions for many poor and middle-class families, the very groups they are supposed to help.

Almost 1.5 million U.S. households live in projects. The buildings are typically disasters that are breeding grounds for gangs, drug use, rapes, robberies, and other crimes, and demoralize the families that live there. Notwithstanding considerable spending on upkeep and maintenance, many apartments have deteriorated to the point that they are no longer habitable. On the trip from my house to downtown Chicago, I pass large public-housing buildings that are eerily empty, despite having wonderful views, since they front Lake Michigan.

Government shouldn't be in the business of building housing for poor families, whether in large projects or smaller units scattered throughout a metropolitan area. Of course, the poor do get less space and less attractive housing in the private sector than do the middle class and the rich. But the poor also have fewer, smaller, and older cars than other families, and no one suggests that the government build cars for the poor. It is much wiser for Washington to provide sufficient income transfers to needy poor families so they can choose themselves how much to spend on housing and how much on other needs.

NEW YORK BLUES. Even if the housing that the poor get on their own is not considered acceptable, public housing is not the best solution. A much more effective system would be to provide housing vouchers that can help renters find better units in the private market. The U.S. already has a small voucher program. Vouchers give greater freedom of choice of where to live than do massive public-housing developments. Moreover, recipients tend to get their money's worth from vouchers because housing is a very competitive industry with many landlords competing for tenants, even in poor neighborhoods.

Unlike housing projects, rent controls are supposed to help the middle class as well as the poor. New York is the only major American community that has maintained ceilings on rents continuously since World War II, although Boston, San Francisco, and some other cities and towns reintroduced rent ceilings during the housing boom of the 1970s. About 10% of rental units in the U.S. are now subject to price controls.

One does not have to be an economist to appreciate that landlords reduce maintenance when rents are kept artificially below market levels. As a result, the quality of the housing stock deteriorates, and landlords and tenants become embroiled in endless legal

wrangling over whether buildings are adequately maintained. The sorry state of much of the rental market in New York City illustrates the consequences of rent ceilings.

WRONG BENEFICIARIES. What may be worse is that ceilings cause even the deteriorated housing stock to be allocated away from the groups who most need access to reasonably priced housing. These include young people who want to start households, families who must relocate because of marital breakups or job loss, and immigrants and others who move into a controlled housing market. On the other hand, rent controls help many well-off households who have large apartments at prices well below market levels. They tend to stay put even after they age and their housing needs contract because smaller apartments on the open market cost more.

Many past supporters of rent controls and public housing in academia and the media changed their positions as the nature of housing projects became apparent and after observing that the decontrol of rents in cities such as Boston did not impose hardships on many poor and middle-class families. Yet once the programs are in place for many years, it is difficult to eliminate them. Powerful support develops from politicians who represent renters with cheap housing, contractors who benefit from remodeling and maintenance work at projects, and still other groups.

A telling example is the endless political agonizing over eliminating rent ceilings in New York City. Despite intense discussions, the state legislature has not been able to abolish ceilings in its leading city. A couple of months ago, after a long struggle, it was only able to decontrol a few more luxury apartments and relax minor provisions of the law.

Still, the slow but steady shift of opinion away from rent control and public housing offers a ray of hope that these highly undesirable forms of government intervention in housing markets may eventually be phased out. It surely would be about time.