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RENT-CONTROLLED SLUMS

COLM BROGAN

• The housing situation in the United States does not afford a perfect example of the blessings of freedom. Federal, state, and local governments are involved in housing projects, guaranteed mortgages, easy credit, and other subsidies and subventions. Despite these government attempts at obstruction, there is comparative freedom in the housing market in the United States. And the advantages of that freedom deserve the careful consideration of anyone who may have to choose between more or less government control of housing. Several years ago, the sad consequences of more than a generation of rigid rent control in France were dramatically presented under the title, "No Vacancies" by Bertrand de Jouvenel. (Single copies available upon request.) Now, a well-known British journalist documents the situation in Great Britain and explains why both Conservative and Labor party leaders have finally seen the need for the relaxation of rent control — a turn, at least, toward freedom.

RENT CONTROL has long made an absurdity of the housing situation in Britain, and in recent years the absurd has become the intolerable.

There could be no clearer example of the disastrous results of government interference with the normal operations of the free market. When rent restriction was first imposed during the 1914 War, nobody welcomed it for its own sake, but it was defended as a strictly temporary measure to meet an awkward and unexpected emergency. It is with us yet.

Of course, there has been a great deal of tinkering, with one piecemeal act following another. But forty years after the first act, there are six million houses in Britain in which the tenants enjoy complete security of tenure and also often enjoy their accommodation at a rent which is ruinous to the owner. In a recent Court case a tenant successfully sued his landlord to compel him to spend fifty pounds (\$140) on extra repairs. The landlord had already spent 150 pounds (\$420). The gross rent was five shillings (70

cents) a week. Allowing for taxes, the landlord's return must be invisible. Adding the cost of repairs, the landlord would obviously be the gainer if he could give the house away.

If this might be considered an extreme example, there are one million houses in Britain rented at five shillings (70 cents) a week or less. The first result is obvious. A huge number of houses fall into a slum condition through the sheer impossibility of keeping them in repair, and they become uninhabitable. In Bidder Street, Liverpool, a row of large houses suddenly collapsed and fell into the street, just as if they had been hit by a bomb. The same thing has happened in other towns.

I once went through a block of houses occupied by workmen in Glasgow. Inside, they were derelict, but the stone fabric of those buildings was thick enough for a fortress. It is no exaggeration to say that if money had been available to repair and modernize these houses, their expectance of life might have been counted in centuries. But the demolition men were waiting to move in and pull them to the ground.

Property owners have sometimes claimed that the rate of obsolescence through inability to repair is equal to the rate of new house-building. It is impos-

sible to give solid proof of this claim because many of the houses that might fairly be called uninhabitable are still inhabited. But there can be no doubt that the unnecessary wastage of the country's largest capital asset is grievous. It is quite certainly true that rent control has been an immense manufacturer of slums.

A Paradox

Furthermore, rent control results in gross underuse of dwelling space and also gross overcrowding, side by side. There are elderly couples living alone in large houses which they first rented when they had fair-sized families to bring up. Now their children are all away, but they still hang on to the house which they get for a nominal or trifling rent. The house is too large for them, there is too much work for the wife, and the heating of unnecessary room space is expensive. Nevertheless, they stay where they are because a smaller and more comfortable house would cost them perhaps five times as much in rent. (Houses built by the local Councils — public housing projects — are not subject to rent restriction, and many are rented steeply.)

While the elderly couple occupy two or three times the space they need, a younger couple with a family are cramped in a couple of

rooms, often paying dearly, for furnished accommodation is also outside the scope of rent control. It would be to the advantage of both families to trade dwelling places, but this natural and normal transfer to suitable accommodation is effectively inhibited by rent control and security of tenure.

Protected Tenants

The tenant who enjoys rent control also enjoys security of tenure. His rent cannot be raised, and he cannot be put out in favor of a would-be tenant who would gladly and voluntarily pay an economic rent.

The mischief created by security of tenure is enormous. The borough of Croydon on the outskirts of London has come to the end of its housing tether. Every single acre within the borough boundaries has already been used up to build government houses, and there are still thousands on the housing list who now have no hope left at all. At the same time, there are one thousand houses in the borough standing empty and ready for sale. They stand empty because few people with the money want to own a house of that type in the districts where these houses are situated. The obvious solution would be to offer these houses for rent; but the owner knows that if he once rents the house under rent

control, the tenant will be an "old man of the sea." If he tries to sell with a protected tenant inside, he will be lucky to get half of what he himself has paid.

If there is a protected tenant in one house and no such privileged person in the similar house next door, the houses will sell for considerably different prices. A house with a protected tenant can only be sold at an artificially low price, whereas a house with what is called "vacant possession" will sell for more than it would on a free market. Thus, both for house purchase and for house rental, a large part of the population is paying far less than it should and another large portion far more.

The result is the creation of a housing problem which need not have been. Indeed, there is not really a housing problem — only a problem of rent and tenancy. There are fifty million men, women, and children in Britain; and there are sixty-five million dwelling rooms. In spite of this, the public authorities are building nearly one thousand houses a day in a frantic effort to deal with overcrowding and homelessness. The cost of the amortization of these government-built houses will be felt in the burden of taxes for the next sixty years.

The economic case for abolishing rent control and security of

tenure is irresistible. That fact is recognized, however reluctantly, even by the Socialist party. In addition, there's a case for abolition on moral grounds.

The Moral Aspect

For all the time that rent restriction has been in force, house owners have been compelled by law to accept an artificially low return on their capital investment — sometimes a negative return. Many landlords are crippled by the burdens of their ownership even though their tenants have incomes higher than their own.

A large number of house owners are people of modest means. In Victorian days the thrifty and ambitious artisan was tempted to put his savings into bricks and mortar. He believed that this was one investment that would be reasonably safe from the fluctuations of the economy. He might die fortified by the thought that his unmarried daughter who had looked after him would own a few houses that would yield her a modest income. But that daughter today may be pinched to the last farthing to pay for the repairs that the law demands while the protected tenants drive cars and take holidays on the Continent.

This is not a melodramatic picture. It is the kind of thing that is happening today. There is evi-

dence that some tenants are prepared to admit that their rent must go up as a matter of justice and necessity, but many more are indignant that they will no longer be able to have their house room at somebody else's expense. Socialist legislation and practice are always demoralizing.

Justice Corrupted

Even those who accept the need for a rent increase insist that they should be left with security of tenure. Thirty years ago this demand would have seemed quite irrational. The owner who let a house and the tenant who took it struck an equal bargain. Given the due legal period of notice, either side could end the bargain when it seemed desirable. The present position is that the owner cannot end the contract in any circumstance, but the tenant can end it whenever he chooses. The idea of even justice has been badly corrupted in the most unexpected quarters.

I know of a man who had determined to leave his rent-controlled house. Concealing this fact, he approached the owner and offered to buy the house at the price it would bring. The harassed owner, who could earn nothing from the rental, agreed to sell for much less than the real market value. Before the papers were signed the tenant

had already sold the house to a third party at its value with vacant possession, pocketing more than a thousand pounds on the transaction. In a wholesome society, this maneuver would be described as chicanery if not positive theft.

This is no isolated case but common practice among men who are otherwise of high personal integrity. They wait until the owner is desperate and then buy at a depressed price for immediate or eventual resale at a large profit.

It may be natural enough that tenants worried about their own position should not be concerned about injustice to others, but there is now in Britain a vague belief that private property has no intrinsic rights which the will of a majority may not invade or abolish whenever it should seem convenient to do so. Socialism has bitten deep into the British mind. Abolition of rent control would greatly help to shake British thought and habits out of an increasingly socialist mold. • • •

Nature's Spoiled Child

WHAT HAS COME OVER OUR AGE is an alienation from Nature unexampled in human history. It has cost us our sense of reality and all but cost us our humanity. With the passing of a relation to Nature worthy both of Nature and the human spirit, with the slow burning down of the poetic sense together with the noble sense of religious reverence to which it is allied, man has almost ceased to be man. Torn from earth and unaware, having neither the inheritance and awareness of man nor the other sureness and integrity of the animal, we have become vagrants in space, desperate for the meaninglessness which has closed about us. True humanity is no inherent and abstract right but an achievement, and only through the fullness of human experience may we be as one with all who have been and all who are yet to be, sharers and brethren and partakers of the mystery of living, reaching to the full of human peace and the full of human joy.

HENRY BESTON, *Northern Farm*



F. A. HARPER

YOUR TAX BURDEN

2. LIMITS OF TOLERANCE

● In the first article of this series, taxes were shown to be the economic burden we place upon ourselves in the form of a governmental monopoly of force, in an attempt to control the objects of our intolerance. The cost of this process in the United States has grown and grown over the years until it now requires, on the average, the income from twenty minutes out of each hour of work.

In defining taxes in this way, no moral judgment was rendered about the conduct of our fellow men — which of their acts we should or should not tolerate. That consideration lies beyond the fact of the present magnitude of our tax burden, discussed in the earlier article.

So it seems wise to discuss briefly, in relation to taxes, this important question of morals before proceeding with an analysis of your tax burden in other respects; to consider the *should* and the

should not of human conduct, to give a basis on which to judge the extent to which one person should presume to control another. Such is the purpose of this article.

In university teaching I always tried first to lay down the principles involved, in order that they might serve as a foundation for questions to be tackled later. This approach has the disadvantage, I realize, of initially dealing with abstractions which are not especially exciting. But despite the fact that the reader of this series is under no contract to finish the run, as were those students, it seems to me wise even here to deal at the outset with those principles which underlie any valid analysis of tax matters. I hope this will neither discourage nor divert readers from following the series along to where more exciting aspects of our tax problems are to be considered.

PRINCIPLES are always less exciting than matters of their application. Riding a motorcycle or tinkering with a car is more enticing to a boy than doing his homework on the principles of physics, from his high school text.

Yet it is with principles that truth can be tested in the details of mundane affairs. Only by means of principles can we project our thinking so as to solve new problems or overcome superstitions and mistaken habits of thought.

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