

ROOFS OR CEILINGS?

The Current Housing Problem

By
MILTON FRIEDMAN
and
GEORGE J. STIGLER

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK

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FOREWORD

IF parliamentary maneuvering had prevented renewal of OPA powers in July 1946, would government price controls have ended? Or would they have been revived by state and local governments and by new Federal statutes?

In the case of rent control, at least, the answer is clear. During the lapse of Federal controls in July, one state and locality after another set up or planned to set up its own agencies for maintaining ceilings on rents.

Why?

Because so many citizens and government officials consider these controls to be necessary or desirable, for one reason or another. Even among those who oppose continuance of other forms of price and wage control, a large number make an exception in favor of rent control. It, at least, they say, should be retained.

Yet rent control, along with laws protecting tenants against eviction, involve partial expropriation of property rights. It limits the owner's right to use and to profit from the use of his property. It also restricts the opportunity of everyone else who would like to bid for the use of the properties thus controlled by government.

This particular method of expropriating property rights and restricting opportunity in peace time is something new in the United States. How long will it continue and how far will its corrosive influence spread in American attitudes toward individual enterprise and private property in general?

"Military necessity" was used during the war as a reason for introducing numerous compulsions and restrictions into the American economy. Most supporters of rent control still

justify its continuance merely as a temporary "emergency" measure. The war supposedly restricted residential building, while population continued to increase, with a consequent temporary "housing shortage."

But what are the facts of the matter? Did the increase in population or number of families actually outstrip residential building?

And is government rent control serving the avowed purposes of its supporters? Is it helping veterans, former war workers, newlyweds, and lower income families to find housing at "reasonable" cost?

What is a "reasonable" rent? What are rents paid for—merely to give the land "lord" an income? Or does the rental market serve some other purpose which has been taken for granted so long that it has been forgotten?

Professors Friedman and Stigler have spent years in study and training so that they might be able better to deal with just such questions. Their answers may surprise you.

LEONARD E. READ

President

Roofs or Ceilings? The Current Housing Problem

by

MILTON FRIEDMAN and GEORGE J. STIGLER

THE San Francisco earthquake of April 18, 1906 was followed by great fires which in 3 days utterly destroyed 3,400 acres of buildings in the heart of the city.

Maj. Gen. Greely, commander of the Federal troops in the area, described the situation in these terms:

"Not a hotel of note or importance was left standing. The great apartment houses had vanished . . . Two hundred and twenty-five thousand people were . . . homeless."

In addition, the earthquake damaged or destroyed many other homes.

Thus a city of about 400,000 lost more than half of its housing facilities in three days.

Various factors mitigated the acute shortage of housing. Many people temporarily left the city—one estimate is as high as 75,000. Temporary camps and shelters were established and at their peak, in the summer of 1906, cared for about 30,000 people. New construction proceeded rapidly.

However, after the disaster, it was necessary for many months for perhaps one-fifth of the city's former population to be absorbed into the remaining half of the housing facilities. In other words, each remaining house on the average had to shelter 40 percent more people.

Yet when one turns to the San Francisco Chronicle of May 24, 1906—the first available issue after the earthquake—*there is not a single mention of a housing shortage!* The classified advertisements listed 64 offers (some for more than one dwelling) of flats and houses for rent, and 19 of houses for sale, against 5 advertisements of flats or houses wanted. Then and

thereafter a considerable number of all types of accommodation except hotel rooms were offered for rent.

The Housing Problem in 1946

Forty years later another housing shortage descended on San Francisco. This time the shortage was nation-wide. The situation in San Francisco was not the worst in the nation, but because of the migration westward it was worse than average. In 1906, the population of 635,000 had no shortage of housing, in the sense that only 93 percent of the dwelling units were occupied. By 1946 the population had increased by at most a third—about 200,000. Meanwhile the number of dwelling units had increased by at least a fifth.

Therefore, the city was being asked to shelter 10 percent more people in each dwelling unit than before the war. One might say that the shortage in 1946 was one-quarter as acute as in 1906, when each remaining dwelling unit had to shelter 40 percent more people than before the earthquake.

In 1946, however, the housing shortage did not pass unnoticed by the Chronicle or by others. On January 8 the California state legislature was convened and the Governor listed the housing shortage as "the most critical problem facing California." During the first five days of the year there were altogether only 4 advertisements offering houses or apartments for rent, as compared with 64 in one day in May 1906, and 9 advertisements offering to exchange quarters in San Francisco for quarters elsewhere. But in 1946 there were 30 advertisements per day by persons wanting to rent houses or apartments, against only 5 in 1906 after the great disaster. During this same period in 1946, there were about 60 advertisements per day of houses for sale, as against 19 in 1906.

In both 1906 and 1946, San Francisco was faced with the problem that now confronts the entire nation: how can a relatively fixed amount of housing be divided (that is, rationed) among people who wish much more until new construction can fill the gap? In 1906 the rationing was done by higher rents. In 1946, the use of higher rents to ration housing has been made illegal by the imposition of rent ceilings, and the rationing is by chance and favoritism. A third possibility would be for OPA to undertake the rationing.

What are the comparative merits of these three methods?

1. *The 1906 Method: Price Rationing*

War experience has led many people to think of rationing as equivalent to OPA forms, coupons, and orders.

But this is a superficial view; everything that is not as abundant as air or sunlight must, in a sense, be rationed. That is, whenever people want more of something than can be had for the asking, whether bread, theater tickets, blankets, or haircuts, there must be some way of determining how it shall be distributed among those who want it.

Our normal peace-time basis of rationing has been the method of the auction sale. If demand for anything increases, competition among buyers tends to raise its price. This rise in price causes buyers to use the article more sparingly, carefully, and economically, and thereby reduces consumption to the supply. At the same time, the rise in price encourages producers to expand output. Similarly, if the demand for any article decreases, the price tends to fall, expanding consumption to the supply and discouraging output.

In 1906 San Francisco used this free market method to deal with its housing problems, with a consequent rise of rents. Yet, although rents were higher than before the earthquake, it is cruel to present-day house seekers to quote a 1906 post-disaster advertisement: "Six-room house and bath, with 2 additional rooms in basement having fire-places, nicely furnished; fine piano; . . . \$45."

The advantages of rationing by higher rents are clear from our example:

- 1 In a free market, there is always some housing immediately available for rent—at all rent levels.
- 2 The bidding up of rents forces some people to economize on space. *Until there is sufficient new construction, this doubling up is the only solution.*
- 3 The high rents act as a strong stimulus to new construction.
- 4 No complex, expensive, and expansive machinery is necessary. The rationing is conducted quietly and impersonally through the price system.

The full significance of these advantages will be clearer when we have considered the alternatives.

Objections to Price Rationing

Against these merits, which before the war were scarcely questioned in the United States, three offsetting objections are now raised. The first objection is usually stated in this form: "The rich will get all the housing, and the poor none."

This objection is false: *At all times during the acute shortage in 1906 inexpensive flats and houses were available.* What is true is that, under free market conditions, the better quarters will go to those who pay more, either because they have larger incomes or more wealth, or because they prefer better housing to, say, better automobiles.

But this fact has no more relation to the housing problem of today than to that of 1940. In fact, if inequality of income and wealth among individuals justifies rent controls now, it provided an even stronger reason for such controls in 1940. The danger, if any, that the rich would get all the housing was even greater then than now.

Each person or family is now using at least as much housing space, on the average, as before the war (see below p. 18). Furthermore, the total income of the nation is now distributed more equally among the nation's families than before the war. Therefore, *if rents were freed from legal control and left to seek their own levels, as much housing as was occupied before the war would be distributed more equally than it was then.*

The fact that, under free market conditions, better quarters go to those who have larger incomes or more wealth is, if anything, simply a reason for taking long-term measures to reduce the inequality of income and wealth. For those, like us, who would like even more equality than there is at present, not alone for housing but for all products, it is surely better to attack directly existing inequalities in income and wealth at their source than to ration each of the hundreds of commodities and services that compose our standard of living. It is the height of folly to permit individuals to receive unequal money incomes and then to take elaborate and costly measures to prevent them from using their incomes.*

*Editor's Note: The authors fail to state whether the "long-term measures" which they would adopt go beyond elimination of special privilege, such as monopoly now protected by government. In any case, however, the significance of their argument at this point deserves special notice. It means that, even from the standpoint of those who put equality above justice and liberty, rent controls are "the height of folly."

The second objection often raised to removing rent controls is that landlords would benefit. Rents would certainly rise, except in the so-called black market; and so would the incomes of landlords. But is this an objection? Some groups will gain under any system of rationing, and it is certainly true that urban residential landlords have benefited less than almost any other large group from the war expansion.

The ultimate solution of the housing shortage must come through new construction. Much of this new construction will be for owner-occupancy. But many persons prefer to or must live in rental properties. Increase or improvement of housing for such persons depends in large part on the construction of new properties to rent. It is an odd way to encourage new rental construction (that is, becoming a landlord) by grudging enterprising builders an attractive return!

The third current objection to a free market in housing is that a rise in rents means an inflation, or leads to one.

But price inflation is a rise of many individual prices, and it is much simpler to attack the threat at its source, which is the increased family income and liquid resources that finance the increased spending on almost everything. Heavy taxation, governmental economies, and control of the stock of money are the fundamental weapons to fight inflation. Tinkering with millions of individual prices—the rent of house A in San Francisco, the price of steak B in Chicago, the price of suit C in New York—means dealing clumsily and ineffectively with the symptoms and results of inflation instead of its real causes.

Yet, it will be said, we are not invoking fiscal and monetary controls, and are not likely to do so, so the removal of rent ceilings *will*, in fact, incite wage increases and then price increases—the familiar inflation spiral. We do not dispute that this position is tenable, but is it convincing? To answer, we must, on the one hand, appraise the costs of continued rent control, and, on the other hand, the probable additional contribution to inflation from a removal of rent controls. We shall discuss the costs of the present system next, and in the conclusion briefly appraise the inflationary threat of higher rents.

The Present Rationing of Houses for Sale

The absence of a ceiling on the selling price of housing means that at present homes occupied by their owners are being rationed by the 1906 method—to the highest bidder. The selling prices of houses is rising as the large and increasing demand encounters the relatively fixed supply. Consequently, many a landlord is deciding that it is better to sell at the inflated market price than to rent at a fixed ceiling price.

The ceiling on rents, therefore, means that an increasing fraction of all housing is being put on the market for owner-occupancy, and that rentals are becoming almost impossible to find, at least at the legal rents. In 1906, when both rents and selling prices were free to rise, the San Francisco Chronicle listed about 3 "houses for sale" for every 10 "houses or apartments for rent." In 1946, under rent controls, about 730 "houses for sale" were listed for every 10 "houses or apartments for rent."

The free market in houses for sale therefore permits a man who has enough capital to make the down payment on a house to solve his problem by purchase. Often this means that he must go heavily in debt, and that he puts into the down payment what he would have preferred to spend in other ways.

Nevertheless, the man who has money will find plenty of houses—and attractive ones at that—to purchase. The prices will be high—but that is the precise reason houses are available. He is likely to end up with less desirable housing, furnishings, and other things than he would like, or than his memories of prewar prices had led him to hope he might get, but at least he will have a roof over his family.

The methods of rent control used in 1946, therefore, do not avoid one of the chief criticisms directed against rationing by higher rents—that the rich have an advantage in satisfying their housing needs. Indeed, the 1946 methods make this condition worse. By encouraging existing renters to use space freely and compelling many to borrow and buy who would prefer to rent, present methods make the price rise in houses-for-sale larger than it would be if there were no rent controls.

One way to avoid giving persons with capital first claim to an increasing share of housing would be to impose a ceiling on the selling price of houses. This would reduce still further

the area of price rationing and correspondingly extend present rent-control methods of rationing rental property. This might be a wise move if the present method of rationing rented dwellings were satisfactory.

But what is the situation of the man who wishes to rent?

II. *The 1946 Method: Rationing by Chance and Favoritism*

The prospective renter is in a position very different from that of the man who is willing to buy. If he can find accommodations, he may pay a "reasonable," that is, pre-war rent. But unless he is willing to pay a considerable sum on the side—for "furniture" or in some other devious manner—he is not likely to find anything to rent.

The legal ceilings on rents are the reason there are so few places for rent. National money income has doubled, so that most individuals and families are receiving far higher money incomes than before the war. They can afford to pay substantially higher rents than before the war, yet legally they need pay no more; they are therefore trying to get more and better housing.

But not all the millions of persons and families who have thus been trying to spread out since 1920 can succeed, since the supply of housing has increased only about as fast as population. Those who do succeed force others to go without housing. The attempt by the less fortunate and the newcomers to the housing market—returning service men, newly-weds, and persons changing residences—to get more housing space than is available and more than they used before the war, leads to the familiar spectacle of a horde of applicants for each vacancy.

Advertisements in the San Francisco Chronicle again document the effect of rent ceilings. In 1906, after the earthquake, when rents were free to rise, there was 1 "wanted to rent" for every 10 "houses or apartments for rent"; in 1946, there were 375 "wanted for rent" for every 10 "for rent."

A Veteran Looks for a House

The New York Times for January 28, 1946 reports the experience of Charles Schwartzman, "a brisk young man in his early thirties," recently released from the army. Mr. Schwartzman hunted strenuously for three months, "riding around in his car looking for a place to live . . . He had covered the city and its environs from Jamaica, Queens, to Larchmont and had registered with virtually every real estate agency. He had advertised in the newspapers and he had answered advertisements. He had visited the New York City Veterans Center at 500 Park Avenue and the American Veterans Committee housing sub-committee; he had spoken to friends, he had pleaded with relatives; he had written to Governor Dewey. The results?

"An offer of a substandard cold-water flat. An offer of four rooms at Central Park West and 101st Street at a rental of \$300 a month provided he was prepared to pay \$5,000 for the furniture in the apartment. An offer of one room in an old brownstone house, repainted but not renovated, at Eighty-eighth Street off Central Park West by a young woman (who was going to Havana) at a rental of \$80 a month, provided he buy the furniture for \$1,300 and reimburse her for the \$100 she had to pay an agent to obtain the 'apartment.'

"And a sublet offer of two commodious rooms in a West Side hotel at a rental of \$75 a month only to find that the hotel owner had taken the suite off the monthly rental list and placed it on the transient list with daily (and higher) rates for each of the rooms."

Who Gets the Housing?

Rental property is now rationed by various forms of chance and favoritism. First priority goes to the family that rented before the housing shortage and is willing to remain in the same dwelling.

Second priority goes to two classes among recent arrivals: first, persons willing and able to evade or avoid rent ceilings, either by some legal device or by paying a cash supplement to the OPA ceiling rent; second, friends or relatives of landlords or other persons in charge of renting dwellings.

Prospective tenants not in these favored classes scramble for any remaining places. Success goes to those who are lucky,

have the smallest families, can spend the most time in hunting, are most ingenious in devising schemes to find out about possible vacancies, and are the most desirable tenants.

Last priority is likely to go to the man who must work to support his family and whose wife must care for small children. He and his wife can spend little time looking for the needle in the haystack. And if he should find a place, it may well be refused him because a family with small children is a less desirable tenant than a childless family.

Social Costs of Present Methods

Practically everyone who does not succeed in buying a house or renting a house or apartment is housed somehow. A few are housed in emergency dwellings—trailer camps, prefabricated emergency housing units, reconverted army camps. Most are housed by doubling-up with relatives or friends, a solution that has serious social disadvantages.

The location of relatives or friends willing and able to provide housing may bear little or no relation to the desired location. In order to live with his family, the husband must sacrifice mobility and take whatever position is available in the locality. If no position or only a very inferior position is available in that locality, he may have to be separated from his family for an unpredictable period to take advantage of job opportunities elsewhere. Yet there is a great social need for mobility, especially at present. The best distribution of population after the war certainly differs from the wartime distribution, and rapid reconversion requires that men be willing and able to change their location.

The spectre of current methods of doubling-up restricts the movement not only of those who double up but also of those who do not. The man who is fortunate enough to have a house or apartment will think twice before moving to another city where he will be one of the disfavored recent arrivals. One of the most easily predictable costs of moving is likely to be an extended separation from his family while he hunts for housing and they stay where they were or move in on relatives.

The rent ceilings also have important effects in reducing the efficiency with which housing is now being used by those

who do not double up. The incentives to economize space are much weaker than before the war, because rents are now lower relatively to average money incomes. If it did not seem desirable to move to smaller quarters before the war, or to take in a roomer, there is no added reason to do so now, except patriotic and humanitarian impulses—or possibly the fear of relatives descending on the extra space.

Indeed, the scarcity resulting from rent ceilings imposes new impediments to efficient use of housing: a tenant will not often abandon his overly-large apartment to begin the dreary search for more appropriate quarters. And every time a vacancy does occur the landlord is likely to give preference in renting to smaller families or to single persons.

The removal of rent ceilings would bring about doubling-up in an entirely different manner. In a free rental market those persons would yield up space who considered the sacrifice of space repaid by the rent received. Doubling-up would be by those who had space to spare and wanted extra income, not, as now, by those who act from a sense of family duty or obligation, regardless of space available or other circumstances. Those who rented space from others would be engaging in a strictly business transaction, and would not feel that they were intruding, accumulating personal obligations, or imposing unfair or unwelcome burdens on benefactors. They would be better able to find rentals in places related to their job opportunities. Workers would regain their mobility, and owners of rental properties, their incentive to take in more persons.

III. *The Method of Public Rationing*

The defects in our present method of rationing by landlords are obvious and weighty. They are to be expected under private, personal rationing, which is, of course, why OPA assumed the task of rationing meats, fats, canned goods, and sugar during the war instead of letting grocers ration them. Should OPA undertake the task of rationing housing facilities? Those who advocate the rationing of housing facilities by a public agency argue that this would eliminate the discrimination against new arrivals, against families with children, and in favor of families with well-placed friends.

To be fair between owners and renters, however, OPA

would have to be able to tell owners that they had excessive space and must either yield up a portion or shift to smaller quarters. One's ear need not be close to the ground to know that it is utterly impracticable from a political viewpoint to order an American family owning its home either to take in a strange family (for free choice would defeat the purpose of rationing) or to move out.

Even if this basic difficulty were surmountable, how could the amount of space that a particular family deserves be determined? At what age do children of different sex require separate rooms? Do invalids need ground floor dwellings, and who is an invalid? Do persons who work in their own homes (physicians, writers, musicians) require more space? What occupations should be favored by handy locations, and what families by large yards? Must a mother-in-law live with the family, or is she entitled to a separate dwelling?

How long would it take an OPA board to answer these questions and to decide what tenants or owners must "move over" to make room for those who, in the board's opinion, should have it?

The duration of the housing shortage would also be affected. In all fairness to both tenants and existing landlords, new construction would also be rationed and subject to rent control. If rents on new dwellings were set considerably higher than on comparable existing dwellings, in order to stimulate new construction, one of the main objectives of rent control and rationing—equal treatment of all—would be sacrificed. On the other hand, if rents on new dwellings were kept the same as rents on existing dwellings, private construction of rental properties would be small or non-existent.

We may conclude that rationing by a public agency is unlikely to be accepted on a thorough-going basis. Even if applied only to rented dwellings, it would raise stupendous administrative and ethical problems.

Sources and Probable Duration of the Present Shortage

The present housing shortage appears so acute, in the light of the moderate increase in population and the actual increase in housing facilities since 1940, that most people are at a loss for a general explanation. Rather they refer to the rapid growth of some cities—but all cities have serious short-

ages. Or they refer to many marriages and the rise of the birth rates—but these numbers are rarely measured, or compared with housing facilities.

Actually, the supply of housing has about kept pace with the growth of civilian non-farm population, as the following estimates based on government data show:

| Date | Non-farm | | |
|--------------------------------------|-------------------------|---------------------|------------------------------------|
| | Occupied Dwelling Units | Civilian Population | Persons per Occupied Dwelling Unit |
| June 30, 1940 | 27.9 million | 101 million | 3.6 |
| June 30, 1944 | 30.6 million | 101 million | 3.3 |
| End of Demobilization (Spring, 1946) | More than 31.3 million | About 111 million | Less than 3.6 |

Certain areas will be more crowded in a physical sense than in 1940, and others less crowded, but the broad fact stands out that the number of people to be housed and the number of families have increased by about 10 per cent, and the number of dwelling units has also increased by about 10 per cent.

Two facts explain why the housing shortage seems so much more desperate now than in 1940, even though the amount of housing per person or family is about the same.

The first fact is that aggregate money income of the American public has doubled since 1940, so that the average family could afford larger and better living quarters even if rents had risen substantially.

The second fact is that rents have risen very little. They rose by less than 4 percent from June 1940 to September 1945, while all other items in the cost of living rose by 33 percent.

Thus, both the price structure and the increase in income encourage the average family to secure better living quarters than before the war. *The very success of OPA in regulating rents has therefore contributed greatly to the demand for housing and hence to the shortage, for housing is cheap relative to other things.*

Future Housing Problems

Rent ceilings do nothing to alleviate this shortage. Indeed, they are far more likely to perpetuate it: the implications of the rent ceilings for new construction are ominous. Rent is the only important item in the cost of living that has not risen greatly. Unless there is a violent deflation, which no one wants and no administration can permit, rents are out of line with all other important prices and costs, including building costs. New construction must therefore be disappointingly small in volume *unless* (1) an industrial revolution reduces greatly the cost of building housing, or (2) the government subsidizes the construction industry.

The industrial revolution in methods of building is devoutly wished for. But if it comes, it will come much faster if rents are higher. If it does not come, the existing construction methods will, for the most part, deliver houses only to those who can afford and wish to own their own homes. Rentals will become harder and harder to find.

The use of a building subsidy, in the midst of our high money incomes and urgent demand for housing, would be an unnecessary paradox. Now, if ever, people can afford to pay for their housing.

If the subsidy were successful in stimulating building, after some years rent ceilings could be removed without a rise of rents. But building cost would still be high—higher than if there had been no subsidy—so, housing construction would slump to low levels and remain there for a long period. Gradually, the supply of housing would fall sufficiently and the population rise sufficiently to raise rents to remunerative levels. A subsidy thus promises a depression of unprecedented severity in residential construction, and it would be irresponsible optimism to hope for a prosperous economy when this great industry was sick.

Unless, then, we are lucky (a revolutionary reduction in the cost of building apartments and houses), or unlucky (a violent deflation), or especially unwise (the use of subsidies), the "housing shortage" will remain as long as rents are held down by legal controls. *As long as the shortage created by rent ceilings remains, there will be a clamor for continued rent controls.* This is perhaps the strongest indictment of ceilings on rents. They, and the accompanying shortage of dwell-

ings to rent, perpetuate themselves, and the progeny are even less attractive than the parents.

An incomplete and largely subconscious realization of this uncomfortable dilemma explains the frequent proposal that no rent ceilings or that more generous ceilings be imposed on new construction. This proposal involves a partial abandonment of rent ceilings. The retention of the rest can then be defended only on the grounds that the present method of rationing existing housing by chance and favoritism is more equitable than rationing by higher rents, but that rationing the future supply of housing by higher rents is more equitable than rationing by present methods.

Conclusion

Rent ceilings, therefore, cause haphazard and arbitrary allocation of space, inefficient use of space, retardation of new construction and indefinite continuance of rent ceilings, or subsidization of new construction and a future depression in residential building. Formal rationing by public authority would probably make matters still worse.

Unless removal of rent ceilings would be a powerful new stimulus to inflation, therefore, there is no important defense for them. Actually, higher rents would have little direct effect on inflationary pressure on other goods and services. The extra income received by landlords would be offset by the decrease in the funds available to tenants for the purchase of other goods and services.

The additional inflationary pressure from higher rents would arise indirectly; the higher rents would raise the cost of living and thereby provide an excuse for wage rises. In an era of direct governmental intervention in wage-fixing, the existence of this excuse might lead to some wage rises that would not otherwise occur and therefore to some further price rises.

How important would this indirect effect be?

Immediately on the removal of ceilings, rents charged new tenants and some existing tenants without leases would rise substantially. Most existing tenants would experience moderate rises, or, if protected by leases, none at all. Since dwellings enter the rental market only slowly, average rents on all dwellings would rise far less than rents charged new tenants and the cost of living would rise even less.

As more dwellings entered the rental market, the initial rise in rents charged new tenants would, in the absence of general inflation, be moderated, although average rents on all dwellings would continue to rise.

After a year or so, average rents might be up by as much as 30 percent. But even this would mean a rise of only about

5 percent in the cost of living, since rents account for less than one-fifth of the total cost of living. A rise of this magnitude—less than one-half of one percent per month in the total cost of living—is hardly likely to start a general inflation.

The problem of preventing general inflation should be attacked directly; it cannot be solved by special controls in special areas which may for a time bottle up the basic inflationary pressures but do not remove them. We do not believe, therefore, that rent ceilings are a sufficient defense against inflation to merit even a fraction of the great social costs they entail.

No solution of the housing problem can benefit everyone; some must be hurt. The essence of the problem is that some persons must be compelled or induced to use less housing than they are willing to pay for at present legal rents. Existing methods of rationing housing are forcing a small minority—primarily released veterans and migrating war workers, along with their families, friends and relatives—to bear the chief sacrifice.

Rationing by higher rents would aid this group by inducing many others to use less housing and would, therefore, have the merit of spreading the burden more evenly among the population as a whole. It would hurt more persons immediately, *but each less severely*, than the existing methods. This is, at one and the same time, the justification for using high rents to ration housing and the chief political obstacle to the removal of rent ceilings.

A final note to the reader—we should like to emphasize as strongly as we can that our objectives are the same as yours: *the most equitable possible distribution of the available supply of housing and the speediest possible resumption of new construction.* The rise in rents that would follow the removal of rent control is not a virtue in itself. We have no desire to pay higher rents, to see others forced to pay them, or to see landlords reap windfall profits. Yet we urge the removal of rent ceilings because, in our view, any other solution of the housing problem involves still worse evils.

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