Rent Control: Left and Right Economists Finally Agree on Something… and Other Major Points

Time and again we have gone to bat to raise awareness about the awful—and unintentional—effects of rent and price control as well as removing extremely important laws in place. In theory, as in many cases, enacting help in that way for the public sounds like a good thing with little downside—that is to those who have no experience or training on the economic and other side effects. And when we repeal laws meant to counteract some of the major downsides that quickly pop up, such as Costa-Hawkins which allows vacancy decontrol (allows a landlord to rent vacancies at Market Rent) and prevents cities from adding other housing types into their rent controlled ordinances, it has even more harsh downsides for the entire community—not just the landlords who have worked very hard to pay for and operate their businesses, as well as to provide necessary housing for the general public.

Published in the Econ Journal Watch, Volume 6, Number 1, dated January 2009, is a very interesting piece culminating from a study completed by several economists—from both the right and left in politics—on policies concerning rent control and its effects on the local economies. In the Journal, the economists actually agree with one another in that a "preponderance of evidence of the literature points toward the conclusion that rent control introduces inefficiencies in housing markets." This is not just for the landlords, but also for the residents who live there. Along with that last statement, they also clarify that, "the literature on the whole does not sustain any plausible redemption in terms of redistribution. The literature on the whole may be fairly said to show that rent control is bad, yet… about 140+ jurisdictions persist in some form of the intervention." Even more alarming, they begin their assessment saying, "Rent control is usually introduced to economics students as a price ceiling and an unambiguous ('clear-cut') source of inefficiency." Whoa! When I first learned of this, that really made my ears perk up; why aren't more people paying attention to this? That's like the case with being allowed to put MSG in foods—scientists feed it to rats as their genuine protocol to fatten them up and speed the decline of their health to study diseases! So, in both cases, we know it's extraordinarily the wrong thing to do, and here we continue pressing it on? It sure can leave one scratching their head in breathtaking bewilderment.

Here are some other major points included in an article published just back in January of this year about a study done in San Francisco titled, "How Rent Control Can Exacerbate Inequality." In their introduction they pointed out that these laws are "not all they're cracked up to be" and their study concluded the following:

• …landlords were 10 percent more likely to convert their building into condos if it became rent controlled. The rental supply in San Francisco dropped by 6 percent following the expansion of rent control.

• Rents throughout the city increased by 5.1 percent as a result—researchers calculated total cost to tenants from rent hikes to be $2.9 billion, nearly half of which was paid by residents who moved to San Francisco following the establishment of rent control.

• Given the negative repercussions of rent control policies, the researchers argued that other approaches to affordable housing that don't inherently punish landlords might be more effective, such as creating a tax credit for rent.

Some of that is worth restating: Because these laws were put into place, they actually had an opposite effect and drove prices up. Here, in our communities, we are doing what we can to keep prices down—we are looking for the lowest priced ven dors—apartment suppliers, like stores/outlets, to specialized skilled wor kers such as plumbers/electricians—while at the same time not sacrificing the quality of work. This is not an easy task. With inflation constantly on the rise coming out of Washington, no price controls on taxes and fees, no insurance control, no paint control, no pipe control, no light fixture control, and rising utility prices—how does that justify keeping only one sector down and forcing them to pay the inflating prices of these other necessities while none of the above men tioned must keep their prices down for anyone? Where's the equality?