



How The Government Threatens **PRIVATE HOME OWNERSHIP**

Gary Allen, a graduate of Stanford, is author of *None Dare Call It Conspiracy*, *The Rockefeller File*, *Kissinger: Secret Side Of The Secretary Of State*, and *Jimmy Carter/Jimmy Carter*. Mr. Allen is an *AMERICAN OPINION* Contributing Editor.

■ WHETHER you are rich or poor, or part of the broad middle class, few things are more important than where you live. Almost all of us spend more time in our home than in all the other places we frequent combined. We may curse the crabgrass and bemoan the endless cleaning and repair, but most of us regard the family home as the family castle. Unfortunately, the

cost of a home these days is approaching that of a castle. And that doesn't even include the price of a moat.

America is now in the midst of a building boom. This is somewhat surprising since the housing industry has in recent years been the sickest area of the U.S. economy. *Newsweek* for June 13, 1977, notes: "As recently as three years ago, doomsayers were pre-

dicting an end for all but the very rich to the American dream of single-home ownership. Today, builders can't put up single homes fast enough . . ."

But, don't sell the doomsayers short. It is precisely because so many Americans believed them to be correct that families have been flocking to purchase new homes. The same issue of *Newsweek* quotes Bernard Norwitch, a vice president of Levitt Corporation, the giant home builder, as observing: "With the fear of inflation, the energy-policy effects and rising mortgage rates, there is a terrific tendency to say 'now or never.'"

Because of this "now or never" psychology, families are willing to carry debt on home purchases as never before. Oliver Jones, economist and executive vice president of the Mortgage Bankers Association of America, explains that "Junior sees the profit his Dad made on the old homestead and, marveling at Dad's acumen, is buying his home as soon as he can swing the down payment. He is not going to be left behind and he is convinced that inflation will continue. The old homestead was the only hedge against inflation that worked for Dad, so Junior is willing to sacrifice in order to get his piece of the action."

At the same time, our banks are glutted with money which they are eager to loan. This is a reversal of the situation three years ago. Because of the gloomy outlook in industrial production, borrowing by the corporate giants for expansion has slackened off, making more money available for construction. As *Newsweek* reports: "Cashladen banks are also aiding the boom by cutting down-payment requirements from 40 percent to 20 percent, raising maximum loan limits and stretching mortgages up to 30 years."

Sound economists including Henry Hazlitt and Hans Sennholz have been

telling us for years that a chronically inflationary economy breeds an inflationary psychology that leads to orgies of speculation. This is what is happening in today's housing market. John Cuniff, real-estate analyst for the Associated Press, filed a report for the papers of June 5, 1977, headlined "Price No Issue As Housing Boom Roars Throughout Nation." While that is of course hyperbolic, since none of us are free of financial limitation, the point is that people are paying prices that only a few years ago would have seemed insane.

Three years ago, in this magazine, your correspondent noted that the better-than-average \$25,000 house of the middle 1960s was selling a decade later for \$35,000. That seemed like a gargantuan jump. Today, that house has probably doubled in price. The increase was nearly ninety percent between 1970 and 1976, or double the rise in median family income, which grew forty-seven percent from \$9,867 to \$14,500 in the same period. Monthly ownership costs, including utilities, property taxes, insurance and maintenance, grew even faster, leaping 102.5 percent in the six-year period.

The median price on new homes nationwide is now \$50,000. The median price of a new home in California rose to \$60,356 in May 1977. Remember, these are the costs of average homes; fifty percent are more expensive.

So bad is the situation that only one-quarter of all American families can qualify to buy a new home today, whereas in 1970 nearly half could afford the median price of \$23,400. In the last seven years, the number of Americans who can afford to buy a new home has been cut in half. That's what happens when Big Brother sets out to force a social change. In this case the objective is to force a movement away from individual housing

Regulation and harassment by Big Government now add 20 percent to the price of a new house. Because of government policies the price of new homes has doubled in a decade, interest rates have almost doubled, and as a result only half as many American families as in 1970 can currently qualify for a new house.

in favor of "more efficient" multiple-unit dwellings. Apartments.

Not long ago a \$100,000 house was a luxury home, the kind of place people dreamed of owning when their ship finally came in. Today, for some of us, homes purchased fifteen or twenty years ago for \$25,000 are now worth \$100,000. And this is not because they have been transformed into mansions, but because of inflation. All that most of us have to show for the phenomenal increase in the worth of our homes is a commensurate phenomenal growth in our property taxes. If we sell to realize what looks like an enormous profit, we find that unless we are willing to settle for a cracker box we must put every penny of it back into a new house or move to the boondocks where prices are cheaper. Many simply shrug and move into a condominium or apartment.

Then there is the little matter of making the monthly payments on the mortgage. If a family purchased a home valued at \$31,250 in 1964, and put down the traditional twenty percent, it meant borrowing \$25,000. The prevailing interest rate at the time was 5.85 percent. Based upon a thirty-year payoff schedule, the monthly payments came to approximately \$147.48. To purchase the same home today, the family would have to borrow \$50,000 instead of \$25,000, and

pay an interest rate that has almost doubled to 9.3 percent. Now the monthly payments, for the same house, will come to something like \$413.08 — and we haven't even begun to talk about taxes.

The total cost of house payments under the 1964 purchase would be \$53,092.80. Principal and interest on today's market would come to an astronomical \$148,737.60. Under the earlier loan, a total of \$28,092.80 in interest payments would have been made. The cost of interest on the same house at today's prices and interest rates will run to \$98,368.80.

And, as Al Jolson used to say, "You ain't seen nothin' yet!" If prices continue to escalate at the same pace they have been since 1970, by the early 1980s the median-priced chateau in America will carry a \$78,000 price tag, according to a Harvard-M.I.T. study, "and only the most affluent groups would be able to afford them."

The ballooning cost of housing has what the "Liberals" like to call "a myriad of social effects," and all of them suit the collectivists just fine. Let's examine a few of these.

Those who have owned a home for a few years can leverage their equity into a down payment on a new house. But, first-time home buyers face the brutally serious problem of coming up with an enormous down payment.

According to the *New York Times* of June 26, 1977: "As recently as four years ago, according to Government data, the housing market was evenly divided among families who were buying their first home, and families who were using the equity in houses they already owned as down payments. This year, according to a survey by the Federal Home Loan Bank Board, only about 35 percent of houses are being purchased by first-time home buyers, with the balance being purchased by owners who can parlay inflated equities in previous homes into new ones."

For those families who do buy their first home it often means a long-term commitment to earning a second income. As Dick Turpin, real-estate writer for the *Los Angeles Times*, observed in that journal on July 10, 1977: "By most measures, about 80% of all American families are supposed to be priced out of buying a house. Obviously they are not, because they are buying homes in record numbers. The only ingenuity introduced to accomplish home-buying is the tandem paycheck. Two wage earners are now 'paying the price,' ignoring the statistic that says they are not supposed to be able to buy the traditional dream home."

But Oliver Jones, economist and executive vice president of the Mortgage Bankers Association of America, warns: "The numbers are healthy, the basic demand for housing is healthy, but speculation and the risk of over-extension by families with two wage earners raises doubts about its future health. The business cycle has not vanished from our future, so incomes can fall. Energy cost increases and higher real-estate taxes have not vanished from our future, so carrying costs can increase. And the ubiquitous pill doesn't always work. Any of these forces can reduce the family income

and, if stretched too thin in order to buy that inflation hedge, mortgage payments are going to be difficult to make."

The social effect, in keeping with the collectivist war on the traditional family, is even more serious. Department of Labor statistics reveal the astronomical increase in working mothers. In 1950, 13.6 percent of all mothers with children under six years of age were working; by 1976, the figure had soared to 39.7 percent. Of all mothers with children under eighteen, 21.6 percent were working in 1950; in 1976 it was 48.8 percent. Of course, some women prefer to work in the marketplace rather than be homemakers. But many, one supposes a majority, are now employed because it is an economic necessity if their families are to enjoy a nice home in a nice neighborhood. The social costs are high. Children are either under the influence of somebody other than a parent, or fending for themselves. Few would contend that family cohesiveness is enhanced by a government policy intent on driving the mother from the home during her children's formative years.

Young families are not the only ones with problems in today's housing market. Older people are being driven out of their family homesteads because of exploding property taxes. Retirees by the thousands are being forced to sell out and accept life in retirement communities or mobile homes because their pensions are a fixed income but their property taxes and home maintenance costs escalate yearly. According to a *U.S. News* summary: "Here are some of the increases the home-owner has had to contend with in that five-year period: Taxes up 63 per cent; heating oil, up 131 per cent; natural gas, up 57 per cent; furnace repairs, up 44 per cent; the bill for repainting a living room, up 51 per

cent; reshingling a roof up 58 per cent."

Why is the cost of home ownership rocketing out of sight? There are many reasons, almost all of them related to Big Brother in Washington and his Little Brothers running the fifty states who are making war on the American Dream.

Prices are based upon supply, demand, and the money supply. Supply and demand are normally thought to be market functions. However, the policies of federal, state, and local governments affect both supply and demand. And Big Brother has a monopoly on control of the money supply. It is the latter which is the culprit here.

Only the government can increase the money supply and thereby inflate our currency. This magazine has run through the mechanics of how this is done more times than Elizabeth Taylor has married Richard Burton. Our regular readers know that Congress runs huge deficits by spending more money each year than it is willing to tax the public to obtain. Those deficits can be monetized — literally turned into new money — by the Federal Reserve selling bonds to the banking system or by buying the bonds itself. Both the banks and the Federal Reserve create the money out of thin air through bookkeeping entries with which they pay for the bonds. The result is that every year the amount of the federal deficit is turned into new money which never before existed. This newly created money takes on value only by subtracting from the value of all the money — including your savings account, insurance policies, retirement funds — which is already in circulation. That is not inflationary, it is inflation. The effect is the constantly rising prices from which we have been suffering.

Another way in which the govern-

ment creates money is for the Federal Reserve to expand the amount of credit which it provides to banks for their lending purposes. The federal government also creates credit which it supplies to savings and loan institutions when it wishes to "stimulate" the housing market.

The new money and credit which are spent into circulation bid up the price of land, lumber, building materials, and everything else which goes into the construction of a new home. Up, up, up go the prices. But, inflating the money supply is only one of the ways in which the government distorts the housing market.

Even though Fedgov has pumped an enormous amount of new money into the economy in recent years, increasing the National Debt from \$386 billion at the start of the Nixon Administration to \$699 billion on September 30, 1977, this inflation alone does not begin to explain the explosion in home prices. A whole new mythology has been created to justify the hog-tying of the construction industry. At the heart of it is the "we are overpopulated, overcrowded, running out of everything, especially energy" syndrome which has been trumpeted to high heaven by the Establishment through its instruments of mass misinformation. The answer to all these problems, according to the proponents of limiting growth, involves regulation, regimentation, and red tape designed to restrict the construction of *anything*.

This is all a lot of hogwash. To begin with, there are several things the problem probably is *not* — notwithstanding Malthus, the Sierra Club, and harassment of the real-estate and construction industry.

First, it is probably *not* a problem of population explosion. Our fertility rate, according to the Census Bureau in February, was at the lowest level in

Young families with no current equity are all but priced out of the home market, while the elderly on fixed incomes are driven from their homes by property taxes up 67 percent in five years and even higher increases in fuel and maintenance. The idea of the planners is to force us from our homes into "efficient" apartments.

U.S. history. It is probably *not* a problem of adequate space in which to live, nor a real and present danger to an overcrowded environment. We now actively occupy only two and one-half to three percent of our total American landmass. At four families to an acre (that's with yards and streets, in a typical suburban format, all single-family houses), and at three members per family, every American now alive could live in the small area of southern California from Los Angeles to the Colorado River, south to Mexico, and back to San Diego. The other forty-nine and seven-eighths of the states could go back to purest nature, unused and unpopulated.

Growth probably does not even present a problem in terms of finite resources, even though some have become terribly expensive. In the future, substitutes will be developed. But man has actually improved the availability of many of our building resources. Commercial forestry practices, for instance, make possible a complete lumber crop every fifty years or so, whereas it takes the national forests approximately eighty years to produce one. Trees, as the bumper sticker has it in the Northwest, are America's renewable resource.

The anti-growth fanatics would

also have you chewing your nails and moving into a concrete urban cubicle because, they say, every year "suburban sprawl" gobbles up thousands of acres of what had previously been farmland so that America will eventually be covered with asphalt and cement and there won't be any land left upon which to grow crops. This too is nonsense. Sure, every year hundreds of Farmer Browns, many frustrated at government farm policies, peddle their cow pastures to real-estate developers. The anti-growth clique has given the real-estate developer an image which puts him somewhere between the dope dealer and the procurer. But these developers don't eat the land, they don't turn it into swamps or leper colonies. They build *homes* on that land, in which people may live in comfort. Meanwhile, a young couple or upwardly mobile family will move into the house previously owned by our new home buyer.

But, ask the radical skeptics, where will we grow food? While it is true that every year a significant amount of farmland becomes urbanized, this process has been going on since 1621. What the anti-growth radicals fail to tell the public is that new farmland is coming into production all the time. Because this new agricultural land tends to be off the thruways and

outside the big cities, most of us don't see it. Because we travel across the country in jet planes instead of trains and cars, we forget the vastness of America's agricultural riches. Yet you begin to realize the truth when you learn that during the past fifteen years California, alone, has actually increased its available agricultural land by an astounding one million acres, despite all the suburban sprawl.

Although the pretense is as phony as a harlot's smile, the collectivist land grabbers persist. Gene Wekall, business editor of the *Santa Ana Register*, explains what is behind a recently issued Establishment report titled "The Unfinished Agenda":

The report was the result of The Environmental Agenda Project which was funded by the Rockefeller Brothers Fund.

When we hear of nuclear power protestors, coastal preservation committees, anti-strip mining advocates, the issues themselves concern us more than the underlying philosophy. The entire environmentalist-conservationist movement is one of social change — not preservation as it is usually touted.

The powers behind the movements want to change our living style into one they deem more appropriate. They tried selling it for a number of years, but were hooted off stage. Now they wrap their package around "saving trees," "preserving the seashore," and "saving endangered species."

During the past two sessions of Congress these collectivists were thwarted in trying to set up national land-use planning. But the margin of the Conservative victory was slimmer than a gnat's ankles. You can be sure that land-use legislation will be back. In the meantime, it is being instituted piecemeal. California, for example,

has enacted a law that is sharply curtailing commercial development along the state's scenic 1,072-mile coastline. Hawaii is trying to block the ouster of tenants from farmland upon which the owner wants to erect housing, a more profitable use. Suffolk County on New York's Long Island is purchasing "development" rights from farmers to preserve the land. When a farmer surrenders his right to develop his property commercially, he is paid the difference between the land's agricultural value and its assessed tax value.

Until there is a national land-control law, collectivists in the states are working to institute their own land-use legislation based upon assorted Rockefeller-funded proposals. According to *U.S. News & World Report* of March 21, 1977, "States and communities in growing numbers are clamping down on how owners of rural and recreational land can use their property. The drive reflects an increasing concern over the effects of population growth — particularly the spread of the suburbs — and of damage to the environment Experts believe that such land-use controls, as they are called, eventually will govern the utilization of almost all land in the country. Most movement is occurring at the State and local level, but Congress and the Administration also have expressed interest in greater land regulation."

Leading the way at the state level is California's lulu-guru governor, Jerry Brown. His plan, issued in May of 1977, is fondly described by Gladwin Hill of the *New York Times* as follows:

"The aim of the new program would be to stop sprawl, revitalize existing cities and suburbs, protect prime farmland, distribute industry and other commerce more equably and provide housing, employment

and public services for four million to eight million new residents expected in the next two decades. This would be done through new laws and administrative measures, radical revisions in tax structures and public expenditure policies and virtually compulsory urban renovation.

"Affluent communities would be required to share sales tax and property tax revenues with poorer communities on a regional basis. Cities and counties would be required to adopt five-year rehabilitation programs. Landlords who lagged in bringing their properties up to prescribed standards would be superseded by court-appointed 'receivers' to manage rehabilitation."

Gilbert Ferguson, executive director of Californians for Environment, Employment, Economy and Development, has acidly responded to the Brown plan:

The plan will artificially reduce the amount of land available for building, driving up the cost of both land and homes, both new and old. We have seen enough of that already.

Only those operating in the real world know what will happen when government limits development to inner-city land. The law of supply and demand will work irrespective of all the good thoughts — or all the laws against speculators. The price of land in the city will skyrocket. Then what? New more restrictive laws will be passed to force property owners to lower land values — and that won't work either. At least it won't work until we change our whole economic system and the right of property ownership.

The Bill calls for state control over the siting of all new business and any old business that wants to expand . . .

The public, those who cannot af-

ford to purchase the limited number of homes remaining outside the circles (built at a previous time) will be forced back into the circle to find their housing. The construction of high density, clustered shelter within the circle will be encouraged by a series of government policies designed to reward and punish developers and consumers, as necessary.

Petty bickering between local governments over who will get the industry and who will get how much of the region's share of government subsidized housing will be determined by new regional governments called Councils of Government (COGs). It is the COGs that will control, in conjunction with the state, how much money will be spent for roads and sewers, etc., and where they will be located.

Under the Brown land takeover plan, a prototype for national land control, each region within the state will prepare Five Year Plans — just like in Mother Russia, folks — which will coincide with the state's five-year master plan for urban development. It is hardly coincidental that the first Five Year Plan would be completed by 1984.

The Brown prototype treats apartment-house owners like Stalin treated the kulaks. Ferguson continues: "And perhaps most revolutionary of all, [Brown] proposes that if apartment owners in the inner city fail to fix up and maintain their property, the state will place the property in receivership — at least temporarily — or as long as needed." Apparently the idea is to move us all into a nice, inner-city housing project.

You doubt it? Four hundred thousand American families are already on the dole for apartment rent subsidies, and up to twenty-seven million families could qualify.

A recent report of the Urban Land Institute speaks of moving as many Americans as possible from their suburban homes with a plot of land into clustered apartment houses in the decaying cities. A report released recently by Big Brother's Environmental Protection Agency, *The Costs Of Sprawl*, concludes that the single-family house is the most costly to build and the most wasteful type of housing to maintain. Furthermore, the report continues, the single-family house pollutes the atmosphere and drains communities of services much more readily than do apartment houses. So, Big Brother is making war on private housing.

And the home builder already faces enough shackles to hamstring Houdini. There is a maze of local building codes which becomes more unfathomable each year. There are zoning restrictions which annually place more and more land off limits for development. There are local planning commissions, regional planning commissions, environmental protective administrations, sewer and water commissions, fire and police commissions, noise and smoke abatement commissions, private deed restrictions, and even the Army Corps of Engineers standing in the way of the builder's freedom to buy land and develop it for people the way he and his customers want it done. Not to mention the radical community groups, tenant unions, consumer organizations, and the city, state, and federal tax collectors hounding the builder and restricting his freedom to do business in response to public demand. On top of which there are the Environmental Protection Agency and Jimmy Carter's new Energy Restriction Agency.

One of the major factors pushing up the price of private housing is the interminable, maddening delay en-

countered in fighting organized radicals to obtain permits and approvals from the various bureaus and commissions listed above. In fact, Alfred R. Gray, Executive Secretary of the Orange County Building and Construction Trades Council, states: "The primary reason [for skyrocketing costs] is government, which completely controls the free market's attempts to supply housing. Red-tape delays that stretch as long as three years, costly conditions placed upon permits and the increased demands for lowered density and additional amenities have driven up the cost to the point where only about 8 percent of our working families can afford the average priced new home."

Imagine, up to three years of moratoriums, injunctions, freezes, and red tape before a construction project can get off the ground. And, of course, during this time many market changes may have taken place. California developer Herbert Tobin laments: "The problem of housing construction is certainly aggravated by delay. A recent study shows an average 18 percent per year price increase as a total result of delay. That is, inflation plus overhead plus taxes plus interest on expensive land loans, all add up to 18 percent per year increase to the consumer — that's you!"

Tobin says, "Delay results in gold-bricking during the constant holdup of projects by many of the 20 or more different agencies having jurisdiction (sometimes as many as 100 different, and differing, government bureaus!). While the whole expensive parade is stalled, everyone adds on more and more and more requirements, all expensive; most not in a reasonable, cost-benefit balance. Result: impossible prices for most Americans, for anything man-made. That's you, again!"

"And then," says Herbert Tobin,

"there's always someone who will use the courts for simple obstructionism — and that's the cruelest tax of all, because no one really benefits — we all pay heavily in the end. Again — you!"

According to Alfred Gray, when obstructions force projects to be delayed beyond fourteen months, government-caused costs exceed the cost of labor in a house. Gray maintains that government delays add an average 1.5 percent per month onto the price of a new home. The percentage represents the increased interest and penalties developers incur for extending borrowing periods on thirty to ninety day loans. After a ten-month delay, a home that would have sold for \$50,000 must now sell for \$57,500. That extra \$7,500, which the buyer must borrow, is going to wind up costing about triple that amount as he pays off his thirty-year house payments.

Among the worst of the quagmires created to price people out of private homes and into apartments is the slough of environmental laws. A 1972 California Supreme Court decision requires private enterprise as well as tax-supported agencies to file Environmental Impact Reports (E.I.R.s) specifying any beneficial or adverse impacts their projects would have on the environment. These E.I.R.s are submitted to a state planning agency. The processing is so slow that it even drives county bureaucrats crazy. Murray Storm, Assistant Director of Planning Regulations in Orange County, California, complains: "The bulk of our time is spent with environmental responsibilities. We work overtime to save a day for a developer, but it's nothing to lose three weeks if a negative declaration is appealed."

If a decision is appealed, reports Storm, three weeks may elapse before the "time-gobbling" appeal is put be-

fore the planning commission. After that it can crawl around for months of departmental evaluation before the planning commission ever receives the report. If a proposed project already meets the area's general plan zoning requirements, Storm says, it could pass through the entire agency process in only five months. But, if rezoning is required, it could extend the period up to three years. Developers, says Storm, are caught in the middle of "bureaucrats worried about environmentalists." The planners at the top — the collectivists making war on private home ownership — sit back and smile and smile.

All of these new regulations are piled upon old problems which contractors have faced for generations. Building codes have been notoriously antiquated and perverted. Ostensibly these codes were established to provide buyers with safe houses and honest values; but, as so often when politics infringe on Free Enterprise, they were used as a device to perpetuate outdated construction techniques and materials.

There are over five thousand separate local building codes in the country. Contractors swear that restrictions in every code are multiplying like so many yeast spores. And, as the restrictions are expanded by aggressive collectivists, so are the number of bureaucrats involved in administering and enforcing them. Don Van Curler, a brilliant young architect involved with many large building projects in Michigan, recounts the "progress" during his career: "When I began building in this area in 1960, Ann Arbor had one building inspector with a secretary. Now there are thirty-two employees in that department. The Planning Commission had but one employee and now they have twelve. The total number of employees has jumped from three to forty-four dur-

ing this period. These are their figures and I would bet that they are understated."

During this period, the dollar volume of real-estate construction has remained virtually constant. That means, says Van Curler, "if we figure in the increased costs of construction in the past seventeen years, with fifteen times as many employees, we are able to accomplish about one-third the amount of actual building."

Wherever one turns government is harassing housing construction. The unions, protected as they are by federal laws, have for many years pushed up the price of housing. Construction workers have traditionally been paid exceptionally high wages, much higher than factory workers, but have at the same time resisted technological advances. If they had their way, every board would still be cut with a hand saw instead of one of Black & Decker's hand-held cyclones. Carpenters, plumbers, electricians, and masons have been notorious for featherbedding contracts. Even so, the cost of labor in a house, approximately sixteen percent, has shrunk from what it was in the past simply because of the far greater cost of traversing the revolutionary quagmire of government red tape discussed above. And, in some areas of the country, construction unions are losing their power because their wild demands have helped to produce so much unemployment that workers were willing to go outside the unions to get jobs on a more reasonable basis.

Another major factor in ballooning home prices is the burgeoning prices developers must pay for land. Aha! Those evil speculators are at it again, right? Speculator certainly has become a dirty word. A speculator is someone who puts up his money to buy something when others do not want it, hoping that in the future

somebody will. As we pointed out at the beginning of this article, an economy which is perpetually rife with inflation inevitably promotes orgies of speculation. Don't blame the speculator; he is just trying to protect his capital from the ravages of federally created inflation. Blame the politicians and their Establishment advisors who create the inflation.

But, just as with construction prices, there is more to the story of gyrating land prices than simply the inflationary atmosphere created by the government. Once again our friends the bureaucrats have been at it. They can be particularly nasty when the anti-growth advocates and environmentalists help them gang up on property owners.

In some areas collectivists have been allowed to lean over backwards putting obstacles in front of builders. Developers are required to devote space to parks, recreational projects, and green belts. Bureaucrats hold up approval of building permits until the land for these purposes is deeded over to the city. It is a procedure which costs developers a fortune. But ultimately it is the buyer who pays for all land which is turned over in this way as the price of the giveaway acreage is figured into the price of the remaining lots. In the early years following World War II, eleven percent of the cost of a home went for the land. Today the average is twenty-two percent. Exactly double.

What is the *total* cost that the collectivists of Big Government now manage to add to the price of a house? Gilbert Ferguson believes that through required land dedication, fees and assessments, local building-code requirements that exceed minimum federal requirements, and the lengthy delays developers often undergo while plans are checked and changed and environmental impact

reports drawn up and debated, government adds "twenty to twenty-five percent" to the cost of every new home built in Orange County, California.

And the figure is rising. Two years ago, in a report commissioned by the Orange County board of supervisors and later denounced by it, a twenty-two-member Cost of Housing Commission found that government could be blamed for fifteen percent of housing costs. That report said building materials accounted for thirty-five percent of costs; land purchase and site development for twenty-four percent; financing six percent; sales and marketing, four percent; developers' gross profits, nine percent; labor, sixteen percent; overhead and contingencies, three percent; and, community amenities, three percent.

Government's share was buried in several of the categories, the report said. Up to five percent of the total cost was laid to land dedications; a minimum of three percent to fees and assessments; and, seven percent to the unanticipated delays and stricter-than-federal building code requirements.

Ferguson, who was a member of that Commission, said in a recent interview that government delays, fees, and assessments now add about twelve percent to the cost of a house, bringing the new total added by government to a flat *twenty percent*.

While some areas are trying to restrict growth, radicals in others are conspiring to stop it totally. Or almost totally. Petaluma, a town north of San Francisco, passed what has been called "the ultimate zoning law." The city council approved an ordinance restricting building permits to only five hundred per year. Two landowners and the Construction Industry Association of Sonoma County sued the city, its officers, and city council

members claiming the Petaluma plan was unconstitutional. Federal District Judge Lloyd H. Burke ruled that Petaluma's regulations violated the constitutional right to mobility.

The reasoning goes like this. While the Constitution contains no provision explicitly mentioning this right, the U.S. Supreme Court, in a long line of cases beginning in 1867, has protected the freedom of citizens to move from one state to another. The Court had gradually been extending this right to include migration and settlement, and has declared unconstitutional a number of laws that did not accord recent migrants to a state or county the same rights as those given existing residents. Judge Burke said that Petaluma's ordinances, by limiting the number of people who could live in the city, had interfered with the right of citizens to migrate and settle in places of their own choosing.

But an appeals court overturned the decision and ruled that it was reasonable for a city to adopt laws to preserve its small-town character, its open spaces and low-density population, and to grow at an orderly and deliberate pace. In a statement which sounds as if it were lifted straight out of the mouth of a villain in Ayn Rand's novel, *Atlas Shrugged*, the appeals judge held: "If the present system of delegated zoning power does not effectively serve the state interest, in furthering the general welfare of the region or entire state, it is the state legislature's and not the federal courts' role to intervene and adjust the system The federal court is not a super zoning board and should not be called upon to mark the point upon which legitimate local interests in promoting the welfare of the community are outweighed by legitimate regional interests."

On this basis, it is hard to envision any set of restrictive zoning laws that

this court would throw out as a violation of individual property rights. This means that politicians, under pressure from the anti-growth and ecology zealots, can freeze development and tell property owners that their land cannot be used to build houses, but only to pasture goats. You say that this destroys a lifetime of working and saving? Tough. According to the Petaluma decision, the rights of property owners are secondary and subservient to the "state interest."

The ramifications of this ruling are enormous. Opportunities for graft and political abuse, always a danger in zoning, will become even greater. More important is the implication that private property is subject to the whims of politicians, bureaucrats, and pressure groups.

And, if Petaluma-type legislation spreads, the result will be . . . a serious housing shortage. According to undisputed expert testimony at the trial of the case, duly reported in the circuit court's opinion, if the Petaluma plan were to be adopted by municipalities throughout the region, the short-fall in needed housing there for the decade 1970 to 1980 would be 105,000 units or twenty-five percent of the units it was said are required. The experts also testified there would be a resultant decline in the quality of regional housing stock, a loss of housing mobility, and a deterioration especially in the housing available to those with real incomes of fourteen thousand dollars per year or less.

Hurt most, directly or indirectly, would be the poor. The University of Michigan's Survey Research Center, in a very extensive study, found that an average of 3.5 relocations occurred for every new unit constructed and occupied. One of these moves is to the new dwelling; the others are to existing housing. This is the filtration

process, with each move being into what can usually be regarded as a better unit for the people involved.

The study found that one-third of the 3.5 moves was by poor and moderate-income families. This means that each new unit will result in an additional housing opportunity for those of low and moderate income. While it is conceivable that the housing units excluded by Petaluma would be built elsewhere, the experts said it is most unlikely that this would occur. Accordingly, poor people are hurt much more by the exclusionary nature of the Petaluma plan than they are helped by its lone inclusionary provision, which provides for some low-income housing.

It may be that those going out on a limb today to buy a home, thinking that it might be their last chance, aren't so dumb after all. When one analyzes all the anti-housing maneuvers being undertaken by the various levels of government, it seems likely that in the future new private homes will become both scarce and (for most) prohibitively expensive.

Sanford Godkin, nationally known marketing and real-estate analyst, is already predicting government-rationed housing. According to Godkin it will happen first in California and become more evident throughout the United States unless bureaucracy and local anti-growth forces are "channeled into more rational judgments."

Only a rationed amount of housing will be available in every growing metropolitan area, according to Godkin. The phony ecology crisis, which will be used to rationalize the regionalizing and control of energy, water, and life-support resources, will put a lid on housing in virtually every city. Underbuilding in all but the highest price ranges will be chronic during this new era of controlled resources, Godkin claims.

What will happen when people can no longer buy their own homes? They will obviously have to rent those nice "efficient" apartments the Rockefeller collectivists are pushing as being so good for us. While the Establishment *Insiders* and the planners they finance and promote will cry crocodile tears about the plight of the people, they will be getting just what they have been working for. They are already discussing how much energy can be saved by having people live in the cities rather than in the sprawling suburbs. Planners, you see, prefer that people be crammed into big cities where they can be most easily manipulated and controlled.

Obviously, given the escalating restrictions, demand for apartments will soon outstrip supply. In fact, vacancies are already very low in many, if not most, large cities. Rents will inevitably start escalating. Renters will demand relief. And since there will be far more tenants who can vote than there are apartment-house owners, the politicians will respond by giving the bureaucrats authority to institute the rent controls that will spell the beginning of the end for private ownership of rental units.

If the Establishment collectivists have their way, rent controls in the future are a better bet than the Dodgers winning the pennant or Jimmy Carter seeking a second term. There is already much agitation for their imposition among Establishment-subsidized "consumer advocates," Welfare groups, and Gray Panthers (the radicalized elderly). As I write, 108 cities in the United States already have rent-control laws. One hundred of these are in New Jersey where, as a result, apartment-house construction is near zero.

Rent controls have often been tried in many parts of the world. They are much like wage and price controls.

You would think that anyone with the mentality and maturity of Fonzie would know they destroy property while producing housing shortages. But the incredible thing is that people never seem to learn as the *something for nothing* instinct throttles logic. In his book, *The Political Economy Of The New Left*, the Swedish economist Assar Lindbeck remarks: "In many cases rent control appears to be the most efficient technique presently known to destroy a city — except for bombing."

Large sections of our cities which are already suffering rent controls literally look like Düsseldorf after a B-17 raid. We are not exaggerating. We have seen them with our own eyes, and it is absolutely shocking. Even more shocking is that the residents of these cities have adjusted to living with these conditions. Every year twenty-five thousand apartments are now abandoned in New York City, for instance, which has had rent control since World War II. The owners simply walk away and abandon them. The situation in New York is described by Barron's this way:

... Vast stretches of real estate in at least three of the five boroughs have deteriorated beyond the point of no return. Ancient tenements and (until recently) quite habitable buildings alike stand empty, boarded up, and typically stripped, vandalized, blackened by fire. Some no longer stand at all, except as piles of broken brick and rubble. Whole blocks of Manhattan, Brooklyn and the Bronx have been compared by expert witnesses to the bombed-out ruins of London . . .

The existing stock of shelter also has been going from bad to worse. "How does [deterioration] begin?" asked William J. Glinsman, president of New York's Association of

Building Inspectors, at the state committee hearings last month. Mr. Glinsman went on to relate the horror story of a rent-controlled building recently declared "unsafe," which he explained, "15 years ago . . . was in a middle-class neighborhood . . . a five-story walk-up . . . constructed in the '20s or '30s."

In this case, "an apartment on the top floor became vacant. Addicts began to enter the building, to steal the furniture from the apartment and then the plumbing, and then to live in the apartment. There were several fires. Tenants became afraid to leave their apartments for fear their apartments would be vandalized, and began to look for another place to live. Soon the landlord abandons the building." In the city's hands, it was declared unsafe and the remaining tenants evicted.

Costs of the "abandonment process" (taxes lost, relocation, welfare, demolition) came to \$21,000 — roughly equal to the pre-vandalized market value . . .

Rent controls, you see, have also contributed significantly to New York's fiscal crisis. The city has lost tens of millions of dollars in property taxes because of abandonments and reduced assessments on decaying rent-control properties. Even administering the controls costs taxpayers more than thirteen million dollars annually.

Why do owners walk away from rent-controlled properties? Simple. Because the fixed rents do not allow them to make a profit — or even sometimes to make the mortgage payments — as property taxes and maintenance costs rise. The consequences are that middle-class neighborhoods become slums, the slums become uninhabitable, and living space grows even more scarce. In Fun City, thanks

to rent control, apartments are being abandoned twice as fast as they are being constructed.

Roger Starr, former head of New York City's Housing and Development Administration, summarizes: "Rent control discourages investment in older housing, hastens the deterioration of existing buildings and keeps the supply permanently inadequate." The *Washington Star* compares rent controls to hard drugs: "Starting is euphoric. Trying to stop is painful. Continuing is disaster."

Still, the clamor for rent control by Establishment collectivists and the radicals they finance remains unabated. And it is a clamor designed to grow into a politically irresistible roar as new housing, presently abundant, continues to be sabotaged by government and becomes scarce. Nonetheless, the housing collectivists are already claiming that they have modernized rent controls to overcome minor defects of the past. On July 17, 1977, the resident "consumer advocate" of the *Los Angeles Times* offered the following comment by John Gilderbloom, hired by the California Department of Housing and Community Development to research the subject:

The kind of rent control being proposed in California and throughout the U.S. is not a rent freeze like that in World War II. That covered all landlords and all new construction. It did not allow for increases in rent when landlords' costs grew . . .

The negative aspects of freeze controls, such as a reduction in new construction, a decline in building maintenance (which often leads to abandonment) and an erosion of the community's total tax base — shifting the burden to homeowners — are avoided in modern versions of rent control.

Contemporary rent control, rather

than seeking to hold rent levels constant, seeks to regulate the amount of increase. This is so owners can pass through legitimate operating and maintenance costs as well as increased property taxes. These ordinances also provide incentives for capital improvements.

Certainly, Mr. Gilderbloom, just ask apartment owners in modern, contemporary, rent-controlled Washington, D.C., where apartment owners have argued in court that they should be allowed to "pass through" actual and unavoidable increases in operating costs. There the federal city maintains: "Unlimited pass-throughs would mean no control of rents at all." At least the officials in Washington are being honest about it. Gilderbloom is not. Rent controls are designed to require apartment owners to subsidize tenants. If the owners can pass on their costs to the tenants then there are, in effect, no controls.

Of course, politicians and bureaucrats of the Gilderbloom stripe will at first claim that under the new controls allowances will be made for inflation and property repairs and improvements. If this were acceptable to those trying to get something for nothing there would be no need for rent controls in the first place. Rents would be kept in line by new supplies of apartments being created to meet the demand. And who can doubt that owners of apartment houses, desperate to be reimbursed for their added costs or for inflation, will be made to fight incredible red tape and delays. Even the *Washington Post* has admitted that Washington's rent-control procedures are "an administrative nightmare." It took one apartment-building owner six months — and top fees to a good lawyer — to win a hardship rent increase despite the fact that not a single tenant opposed his

application. Another modest apartment investor waited more than two years before winning an emergency increase on a building that clearly was losing money throughout the period.

The collectivist strategy will be never to let the owner get even with increasing inflation and expenses. He will always be playing catch up ball, and will never make it. What politically controlled board is going to grant an owner retroactive rent increases? That "would mean no control of rents at all."

You don't have to be The Amazing Kreskin to figure out where national rent controls would lead. Nobody in his right mind would buy or build an apartment building. Construction would come to a standstill (just as it has in New Jersey) and existing buildings would deteriorate as owners find themselves unable to afford maintenance. But the public is obviously going to demand housing. And who will be the housing constructor of last resort? That's right. The same collectivists of Big Government now working so hard to make "inefficient" private homes a thing of the past.

If it is allowed to happen, the Planners will have more and more of the public where they want us — in huge urban apartment complexes *à la* Moscow. Within one or two decades the Department of Housing and Urban Development (H.U.D.) would surpass the Department of Health, Education and Welfare (H.E.W.) as the Number One spender in the federal Budget. And what is the name given to that system where the government owns and controls all of the real property?

Think about it. We will be doing the same as we prepare to delve into the pail of snails known as H.U.D. for next month's AMERICAN OPINION and continue to explore the federal war on private housing. ■ ■