

Rent Controls and the Construction Monopoly

IN A CRITICAL REVIEW of the work of the President's Council of Economics Advisers in *The Journal of Political Economy* (Oct. 1948), M. Bronfenbrenner of University of Wisconsin points out aptly how negligent we have been about attacking the construction monopoly, one of the chief causes of the housing shortage:

"When recommending controls at all, the President and his council emphasize a specific or pinpoint variety (price controls, rationing, allocations) which goes against the price system rather than the overall or blunderbuss variety (monetary, monopoly, and fiscal policy) which utilizes it. This writer's preference is all the other way, on libertarian grounds. . . .

"This is not a wringing of the hands and shouting of 'Unclean!' at every mention of direct controls. They are suited admirably to short-term holding actions at critical points, since over-all controls take substantial time to stabilize an entire front. The objection is to exclusive reliance on burgeoning direct intervention to replace over-all controls, to postpone them indefinitely, to create a political atmosphere which accepts them 'too little or too late' or not at all.

"This can be made specific with reference to the muddled situation respecting the shortage of rental housing and the control of urban rents. Rent controls, in this view, are a useful and desirable temporary appendage to an all-out anti-monopoly attack on the unholy alliance of contractors, materials men and building labor back of the building blockade. Such controls could prevent landlords from saddling tenants with long-term contracts while waiting for anti-monopoly policy to enlarge the present trickle of new private housing. They have been used instead to concentrate the worst effects of building monopoly on an unfortunate minority of tenants and to lull the general public into avoidance of any trial of strength with the construction rings" (p. 379).

So long as we tolerate monopoly in land, labor or capital, or in any combination of them, we must resign ourselves to malfunctioning of our economic system, produced by the action of criminals and parasites. As Mr. Bronfenbrenner argues so forcefully, inadequate controls, no matter how direct the intervention, lead to no control whatever by the general public and chaotic control by the criminal classes who masquerade as "business men" and "labor leaders."

W. L.