

An article a day of enduring significance, in condensed permanent booklet form

A distinguished Frenchman observes the end result of a measure which began in pure benevolence — rent control

Condensed from
a pamphlet

NO VACANCIES

Bertrand de Jouvenel

A DOLLAR a month pays a wage-earner's rent in Paris; quarters adequate for a family of six cost \$2 (equivalent to 11 packages of the cheapest cigarettes). Middle-class apartments of three or four main rooms frequently cost from \$1.50 to \$2.50 per month. Important officials or executives pay from \$3.50 a month to \$8 or \$10 a month.

THIS may seem a desirable state of affairs, but there are drawbacks. There are no vacant lodgings; nor is anyone going to vacate, nor can the owners expel anyone. Young couples must live with in-laws. Practically no housing has been built for the last 12 years.

The only opportunity to get quarters is to watch for deaths. Tottering old people sunning themselves in public gardens are shadowed back to their flat by an eager young wife who

strikes a bargain with the *concierge* to be first in at the death. Other apartment-chasers have an understanding with funeral parlors.

THERE ARE two ways of obtaining an apartment made available by death. Legally, if you fulfill certain conditions which give you priority, you may obtain an order of requisition, but usually you find that the same order for the same apartment has been given to two or three other applicants. The illegal method is the surest — an arrangement with the heir that some pieces of your furniture be carried in immediately upon death of the tenant. As soon as you are in, you are the king of the castle.

Buying one's way into an apartment will cost anywhere from \$500 to \$1500 per room. Wage-earners might as well give up hope of setting up house; they have to stay with their families or live in miserable hotels.

BERTRAND DE JOUVENEL, of a noted French family, has written a score of books dealing with economics and political science. He has recently accepted a post as lecturer at Manchester University in England.

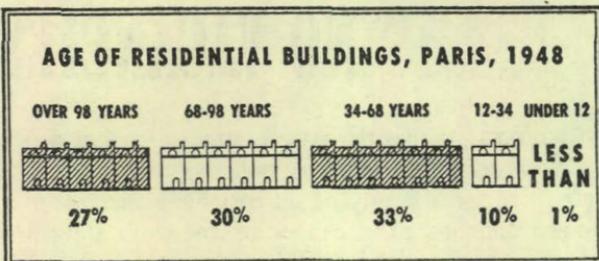
PARIS has 84,000 buildings for habitation, almost 90 percent of them built before World War I.

Even a very lenient officialdom estimates that 16,000 are in such disrepair that they should be pulled down. Nor are the others altogether satisfactory; 82 percent of Parisians have no bath, more than half must go out of their lodgings to find a lavatory and a fifth do not even have running water. Little more than one in six of the existing buildings is pronounced in good condition by the public inspectors.

Owners are not financially able to keep up their buildings, let alone improve them. To take an example of a very common situation, there is a woman who owns three buildings containing 34 apartments, all inhabited by middle-class families. Her net loss from the 34 apartments, after taxes and repairs, is \$80 per year. Not only must her son take care of her, but he must also pay out the \$80. She cannot sell; there are no buyers.

When the owner tries to milk a little net income from his property by cutting down the repairs, he runs great risks. One landlord postponed repairs on his roofs and rain filtering into an apartment spoiled a couple of armchairs. He was sued for damages and condemned to pay a sum amounting to three years of the tenant's paltry rent. Since 1914, rents at the most have multiplied 6.8 times, while taxes have multiplied 13.2 times, and repairs cost from 120 to 150 times the 1914 price!

AN OUTSIDER may be tempted to think that only an incredible amount of folly can have led us to this condition. But it is not so. We got there by easy, almost unnoticed stages, slipping down on the gentle slope of rent control. And this was not the work of the Reds but of succeeding



governments, most of which were considered rather conservative.

The story starts with World War I. It then seemed humane and reasonable to stabilize housing costs while the boys were in the army or working for victory. So existing rentals were frozen. It was also reasonable to avoid disturbances at the end of the war lest the veterans' homecoming be spoiled by evictions and rent increases. Thus prewar situations hardened into rights. The owner lost — "temporarily," of course — the disposition of his property.

When the situation was reviewed in 1926, retail prices had trebled, and it was plain that lifting controls would bring huge rent increases. The legislators shrank from this crisis and decided to confirm the tenant's right to stay in possession but to raise rents slightly. A new owner-tenant relationship thus took shape.

The owner was powerless either to evict the tenant or to discuss the rent with him. The State took care of the price which rose slowly, while regulation was extended to bring in flats not previously regulated. Only buildings put up since 1915 were left unregulated, this to stimulate construction.

No SYSTEMATIC view inspired this policy. It just grew from the fear of a sudden return to liberty which seemed ever more dangerous as prices stepped up. And, of course, if one must control the price of rent, one could not allow the owner to dismiss tenants, because in that case he might so easily have stipulated secretly with the new tenants.

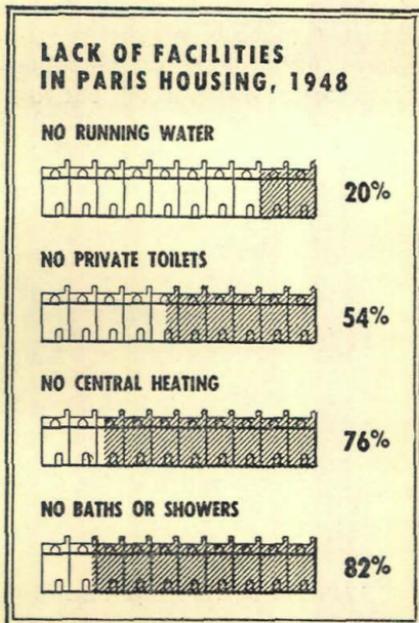
As rent-control lawmaking continued — no single subject has taken up so much of the time and energy of Parliament — the real income from buildings crumbled from year to year. Then came World War II. The return to liberty which had been devised for 1943 was, of course, abandoned, and all rents were frozen, including those of recent buildings which had till then escaped.

Since the Liberation, new laws have provided for increases in rents, but retail prices increased much more. To put it briefly, owners of new buildings (built since 1914) have been allowed, in terms of real income, less than a tenth of what they got before World War II. Owners of old buildings, that is, nine tenths of all buildings, have been

allowed in terms of real income either 12 percent of what they got in 1939 or a little less than seven percent of what they got in 1914 — whichever is less.

IF TODAY a builder were to put up apartments, they would have to rent for prices from ten to 13 times present rent ceilings, in order to break even. Thus, according to a report of the Economic Council, a wage-earner's apartment of three small rooms and a kitchen now renting for \$13 to \$16 a year (!) would have to be rented for \$166 to \$200 a year. Obviously, construction will not be undertaken.

Such is the spread between the legal and the economic price of lodg-



ings that even the most fervent advocates of freedom shudder at the thought of its return; the thing, they say, has gone too far and the right to dismiss tenants, if restored, could not be executed. The whole nation of tenants would go on a sit-down strike.

Hence the strange plans now being considered by the French Parliament which would continue the tenant's right to retain his lodgings, but would set a "fair rent," part to come from the tenant and the rest from a special subsidy — an inflationary measure, of course, as are all subsidies.

Not all this fair rent would go to the owner. A slice to correspond with the cost of upkeep would be paid to his credit in a blocked account, to make sure it did go for repairs. A much bigger slice for the reconstitution of the capital would not go to the owner at all, but to a

National Fund for Building. Thus the dispossession of the owners would be finally sanctioned: they would be legally turned into the janitors of their own buildings, while on the basis of their dispossession a new State ownership of future buildings would rear its proud head.

THE French example may prove of some interest and use to our friends across the sea. It goes to show that rent control is self-perpetuating and culminates in both the physical ruin of housing and the legal dispossession of the owners. The havoc wrought in France is not the work of the enemy, but is the result of our own measures.

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