Scapegoating Rent Control
Masking the Causes of Homelessness

Richard P. Appelbaum, Michael Dolny, Peter Dreier, and John I. Gilderbloom

While many analysts contend that a shortage of affordable housing is a principal cause of homelessness, one recent well-publicized study argues that housing shortages themselves—and hence homelessness—are ultimately the result of ill-conceived local rent controls. This study, conducted by William Tucker, has been widely cited by opponents of rent control as a justification for limiting the ability of localities to regulate rents. The research presented in this article is a reanalysis of Tucker’s data that corrects for methodological shortcomings in the original analysis. The research shows that there is no evidence to support Tucker’s conclusion that rent control causes homelessness.

The U.S. Congress has recently considered legislation that would withhold federal housing funds from the numerous locales that have adopted rent control. Such legislation is supported by HUD Secretary Jack Kemp, who strongly believes that rent control is partly responsible for discouraging badly needed investment in rental housing. Sixteen states currently have laws that restrict the ability of localities to enact rent control, while another 29 have been targeted for such laws by the National Apartment Owners’ Association and the National Multi-Housing Council. While the belief that rent control has adverse consequences for housing markets has long been advanced by housing economists, a new claim has recently emerged in support of anti-rent control legislation: the assertion that rent control should be dismantled because it is the chief underlying cause of homelessness. The evidence for this claim can be traced to a single study by journalist William Tucker (1987a, 1987b, 1989a, 1989b). Since homelessness is such a visible national issue, local rent regulations—affecting millions of tenants nationwide—are more vulnerable to federal anti-rent-control legislation than at any time in the recent past.

Supported by Tucker’s research, Senator William Armstrong (R-Colo.) in 1988 added an amendment to a homeless assistance bill requiring HUD to issue a report addressing the question of how rent control laws might cause homelessness. In a similar vein, Senate Housing Committee co-chairs Alan Cranston (D-Calif.) and Alphonse D’Amato (R-N.Y.) originally included a provision in their National Affordable Housing Act giving HUD the discretion to withhold federal funds from cities with rent control, unless they prove that their rent controls are not in fact contributing to housing shortages.¹ The provision has since been deleted under intense lobbying from pro-rent-control and local control advocates.

The process by which Tucker’s research has influenced anti-rent-control policy can be seen as an example of how private policy-planning organizations and networks shape public debate and policy. A growing body of sociological research has demonstrated the important role of the networks of private policy-planning organizations, foundations, and publications in setting the public agenda, particularly through their linkages with government and media. These networks cross the political spectrum, from moderate-liberal to ultra-conservative (Bonafede 1982; Domhoff 1978; Dye 1978, 1986; Jenkins and Shumate 1985; Pescheck 1987).

In the case of the attack on rent control, Tucker’s research was supported by a network of conservative policy organizations, including the Manhattan Institute, the Cato Institute, and the Heritage Foundation, each of which distributed versions of his study to the media and policymakers. The study also appeared in conservative opinion journals (National Review 1987b, American Spectator 1986a, 1987c; the Heritage Foundation’s Policy Review 1990c; and the Cato Institute’s Policy Analysis series 1990b), in the form of articles and reviews (by Tucker) in more mainstream publications (the Wall Street Journal 1989d, the New York Times 1987, and the New

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It was also cited by syndicated columnists (see Charen 1989; Peirce 1990) and other housing researchers (Downs 1988), and appeared in book form (Tucker's *The Excluded Americans*, 1990a was published by conservative publisher Regnery Gateway “in cooperation with the Cato Institute.”)

The findings of Tucker's research were also utilized by government officials who had ties with this conservative policy network. HUD Secretary Jack Kemp, for example, was a Heritage Foundation fellow between leaving Congress and joining the Bush administration. Kemp took several Heritage staffers with him to HUD. Shortly after President Bush's election, the Heritage Foundation and the *American Spectator* jointly held a press conference at which Tucker described his work (Berke 1988). In October 1989, the Cato Institute sponsored a Washington conference on housing policy with Tucker as a featured speaker, along with other conservative housing policy analysts. The continued circulation of Tucker's analysis through this conservative network of think tanks and publications has been an important avenue for disseminating the anti-rent-control perspective, and has reinforced its subsequent acceptance in governmental and nongovernmental housing policy circles.

Despite the widespread attention it has received, Tucker's research is seriously flawed. The link between rent control and homelessness it purports to demonstrate does not withstand serious scrutiny. Given the political context in which the research appears, the following critique of Tucker's thesis is doubly important. Unchallenged, Tucker's work represents a serious threat to local rent control by linking it with a national problem of high concern. Pointing the finger at rent control can only divert attention from a serious effort to uncover and address the actual causes of homelessness.

The growth of homelessness during the 1980s is not linked with the efforts by a handful of local governments to regulate skyrocketing rents. Homelessness is directly related to the overall level of poverty, to the availability of affordable housing, and to the accessibility of support services for people suffering from mental illness or alcoholism. It is no accident that the number of homeless Americans increased dramatically during the 1980s. The past decade has witnessed growing poverty, especially among the “working poor”; a decline in low-rent housing, including sharp cuts in federal low-income housing assistance; and a failure to adequately serve the deinstitutionalized mentally ill. As a result, since the early 1980s the homeless population has increased between 20 and 25 percent a year, according to the U.S. Conference of Mayors annual surveys (1989, 2). Moreover, the profile of the homeless population includes a growing number of families with young children, as well as individuals with jobs (U.S. Conference of Mayors 1989).

This assessment of the underlying causes of America's homeless problem would seem to suggest fairly straightforward remedies directed at increasing the wages of America's working poor, expanding the supply of affordable housing, and providing residential and social support programs for the nation's mentally ill. A comprehensive examination of the evidence gives no support to the claim that rent control is the root cause of homelessness in the United States.

This article begins with an examination of the previous evidence linking rent control with housing scarcity. The discussion then turns to Tucker's study, showing in detail that the connection he finds between rent control and homelessness is spurious. It concludes with a more extensive analysis of the actual underlying causes of homelessness.

### The Effect of Rent Control on Investment in Rental Housing

Two hundred cities and counties currently have some form of rent regulation. This group includes over 100 communities in New Jersey, as well as cities and counties in Massachusetts, New York, Virginia, Maryland, Alaska, Connecticut, and California. Most of these ordinances were first enacted in the early 1970s. Approximately 10 percent of the nation's rental housing stock is estimated to be covered by some form of rent control (Baar 1983). Current rent control measures can be categorized as moderate, in comparison with the more restrictive rent control that was in effect in New York City during the immediate postwar period.

Moderate rent controls permit rent increases sufficient for the landlord to maintain an adequate return on investment, while protecting tenants against rent gouging. All ordinances currently in effect are moderate in nature. Such controls typically peg annual rent increases to increases in the landlords' costs, and exempt newly constructed rental units from controls altogether. They also often require adequate maintenance as a condition for annual rent adjustments: tenants in buildings that are inadequately maintained can appeal their rent increases. Some rent control laws permit vacated units to be temporarily decontrolled so that rents can be raised to market levels for incoming tenants, after which they are recontrolled. Moderate rent controls thus contain a number of provisions explicitly designed to encourage both construction of new rental housing and maintenance of existing units.

In a few highly inflationary California housing markets, some controls are coupled with an additional provision: they exclude increased mortgage costs from the formulas relating landlords' costs and allowable rent increases. This provision is designed to discourage speculation in rental housing. Under such an exclusion, a landlord who has inured increased capital costs (either through recent purchase or through refinancing to obtain equity capital) cannot pass the higher financing costs through to tenants in the form of rent increases.

In sum, current rent controls contain provisions that are intended to guarantee the landlord a fair and reasonable rate of return on investment, while protecting the interests of tenants by preserving affordable housing.
Maintenance is strongly encouraged: newly built units are not controlled at all.

Nonetheless, critics continue to argue that rent control discourages investment in rental housing. According to Tucker (1987a, 1987b, 1989a), for example, localities that enact rent control rob landlords of their rightful returns. So deprived, landlords cut costs. Maintenance suffers; buildings are abandoned. Badly needed new units are never constructed. Although rents may be lowered in the short run, the argument goes, housing scarcity eventually results. Scarcity, in turn, causes homelessness. In posh areas like Santa Monica, Cambridge, or the Upper West Side of Manhattan, yuppies squeeze out low income tenants in the fight for scarce apartments. In blighted areas like the South Bronx, buildings are abandoned, and eventually razed by arsonists or government bulldozers. Either way, says Tucker, the poor are relegated to the streets and shelters.

This analysis is not original to Tucker; on the contrary, it is shared by a number of housing economists as well as many people in the real estate community. For example, ten years ago a national survey of economists found virtually unanimous agreement that "a ceiling on rents reduces the quantity and quality of housing available" (Pearl et al. 1979). These conclusions are not based on empirical studies, but on theoretical assumptions about how housing markets are supposed to operate. The real estate lobby has been highly effective in communicating this analysis to its members and the media. Major news organizations, including the Wall Street Journal and Forbes magazine, have editorialized against rent controls (Gilderbloom 1983).

Numerous empirical studies have been conducted on the effects of moderate rent control on rental housing investment; none support the views just described. A comprehensive review summarized in Table 1, finds that such controls have not caused a decline in construction, capital improvements, maintenance, abandonment, or demolition of controlled units relative to noncontrolled ones. This is because of the nonrestrictive nature of moderate controls, which, as we have seen, guarantee landlords a fair and reasonable rate of return. Rent controls eliminate extreme rent increases, particularly in highly inflationary markets, but they do not eliminate the profits necessary to encourage investment in private rental housing (Gilderbloom 1984, 1986; Heffley and Santerre 1985; Mollenkopf and Pynoos 1973; Daugherbaugh 1975; Vitaliano 1983). In particular, the vacancy decollateralization provision in some localities results in significantly higher average rents than those that would occur in the absence of such a provision (Gilderbloom and Keating 1982; Hartman 1984; Clark and Heskin 1982; Rydell 1981; Los Angeles Rent Stabilization Division 1985). While moderate rent control is successful in eliminating exorbitant rent increases, its impact on redistributing income from landlords to tenants clearly depends on the degree to which market conditions would otherwise have led to rent increases that greatly exceed the allowable rent levels.

Rent Control and Homelessness: Tucker's Analysis

Tucker's study is the first to look at the impact of rent control on homelessness. In order to support his argument that rent control produces homelessness by discouraging investment and thereby creating housing scarcity, Tucker sought to show that cities with rent control had lower vacancy rates and greater homelessness than cities without rent control.

For his primary data set, Tucker relied on the single comparative study of homelessness that had been done at the time of his study—the HUD survey of homelessness in 60 metropolitan areas (1984). HUD had conducted a random sample of 20 cities in each of three size strata (50,000–250,000; 250,000–1,000,000; and over 1,000,000). For each city, HUD telephoned people they labeled "knowledgeable informants" and asked for their estimates of the homeless street population in their areas. (Shelter estimates were more accurately obtained from information provided by shelter operators.) The various estimates for each locale were then combined into an average figure that was weighted to reflect the presumed reliability of the different sources. Tucker took the HUD estimates for the 40 metropolitan areas in the two largest strata. He then computed a homeless rate for each city by dividing HUD's estimate of the total number of homeless by the population of the core city for each metropolitan area.

Tucker did not rely exclusively on HUD's random sample of places; rather, he modified the HUD sample in several ways. First, he dropped six cities from among HUD's 40 metropolitan areas over 250,000 in population—Dayton, Davenport, Colorado Springs, Scranton, Raleigh, and Baton Rouge. These six places were reportedly eliminated because of "the great difficulty in determining local vacancy rates" (Tucker 1989b, 5, n. 4). For unexplained reasons, Tucker then added to his list one of HUD's smallest (under 250,000) metropolitan areas—Lincoln, Nebraska. He also mistakenly classified Hartford as a city with rent control. Finally, he added 15 additional cities "to include some notable HUD omissions" (1987a, 1): he does not explain how these cities were selected out of thousands of possible places across the United States. Since these cities were not a part of HUD's original study, Tucker developed his own homeless estimates by making telephone calls to unspecified informants in each city. This misguided sampling methodology yielded a final list of 50 places for his analysis.

Once he had obtained his list of places, Tucker identified factors that might be important determinants of homelessness. He originally chose rates of poverty, unemployment, public housing availability, and rental housing vacancy; total population; mean annual temperature; and the presence (or absence) of rent control. Two additional variables—population growth rate and mean annual rainfall—are employed in a recent study (1989a) but apparently not in the original studies (1987a, 1987b); nonetheless, the appendix in the recent study reports only...
A summary of the results of existing studies:

<table>
<thead>
<tr>
<th>Study</th>
<th>Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall affordability</td>
<td>Favorable</td>
</tr>
<tr>
<td>Rent stabilization</td>
<td>Favorable</td>
</tr>
<tr>
<td>Local housing and tax</td>
<td>Favorable</td>
</tr>
<tr>
<td>Overall valuation of</td>
<td>Favorable</td>
</tr>
<tr>
<td>Abandonment and</td>
<td>Favorable</td>
</tr>
<tr>
<td>Maintenance and capital</td>
<td>Favorable</td>
</tr>
</tbody>
</table>

TABLE 1: Effects of modern rent control laws on rents, affordability, and rental housing investment.
the seven original variables. High rates of poverty and unemployment are indicative of an economically marginal population, and therefore should be associated with greater homelessness. Public housing availability, on the other hand, provides one form of protection against homelessness, and so should be associated with lower rates. Low vacancy rates indicate scarcity in the private rental housing market, and—according to Tucker—should be associated with both rent control and homelessness. Larger, faster-growing places may well attract the unemployed with the lure of jobs, thereby contributing to homelessness in such cities. Finally, locales with warm temperatures and low rainfalls have an obvious appeal to the homeless.

Having selected these key variables, Tucker employed them in two- and three-variable regression equations predicting homelessness. While his results vary somewhat among his various reports, he generally found that the only variables that made any substantial difference in the rate of homelessness were the local vacancy rate and rent control—and that the latter statistically accounts for much of the impact of the former. In fact, Tucker found that rent control by itself explains fully 27 percent of the difference in homelessness among cities; when combined with mean temperature, it accounts for 31 percent. According to these findings, homeless people are attracted to cities with hospitable climates; when such places have rent control, increased housing scarcity is assumed to result, and—with it—greater homelessness.

In evaluating Tucker's findings, it is important to bear in mind that he classified only 9 of the 50 cities as having any form of rent control at all. Since all of the cities had homeless problems to varying degrees, it is obvious that rent control cannot be the principal cause of homelessness, as Tucker contends. Miami, with the highest rate of homelessness in the cities under study, does not currently have rent control. Nor does St. Louis, which ranks second. Nor does Worcester, which ranks fourth. The fact that three out of four places with the most severe homeless problems lack rent control would seem to provide a prima facie case for rejecting Tucker's claim out of hand.

The first major difficulty in Tucker's study lies with his use of HUD's measure of homelessness (1984) as his key variable. According to two congressional hearings that examined HUD's methods in detail, that measure was highly unreliable. HUD relied on what it called "knowledgeable informants"—police departments, social service agencies, shelter staffs—who simply guessed at the numbers of homeless people in the 60 areas HUD reviewed. There was no actual count of the number of homeless in the streets, park benches, abandoned cars, and elsewhere—and certainly no estimate of the "invisible" homeless temporarily living in overcrowded apartments with friends or relatives. Although the guesses were mainly for downtown neighborhoods, HUD acted as if they applied to much larger metropolitan areas—Rand McNally marketing areas (RMAs), areas with four or five times as many people. This method, not surprisingly, produced very low rates of homelessness for the metropolitan areas HUD studied, since they guaranteed that homeless people outside the downtown areas would be excluded from the study. Tucker's principal variable, therefore, substantially undercounts the homeless.

The second major problem results from the questionable procedures by which Tucker arrived at his 50 cities, which—as will be demonstrated in the next section of this article—skew his results towards his foregone conclusions. As noted above, he began with HUD's random sample of 40 medium and large metropolitan areas, added one smaller HUD metropolitan area, selectively eliminated six places, and then added 15 others of his own choosing. Since only five of HUD's cities were among the more than 200 places with rent control, Tucker made certain that three rent-controlled cities were included among those he added. But sampling problems are compounded by the fact that the three rent-controlled cities he added are already presumably included in HUD's homeless estimates: Newark and Yonkers are part of the New York City metropolitan area, while Santa Monica is part of Los Angeles.

Tucker's third major error is his failure to consider the possibility that high rents might themselves be a chief cause of homelessness, while at the same time causing tenants to demand rent control. In other words, his reported correlation between rent control and homelessness might be an artifact of the association of both with high rents. He nowhere looks at the possible causal effect of rent on homelessness.

A Re-analysis of Tucker's Data

We have reanalyzed Tucker's data set, using more standard methodological techniques. First, we replicated Tucker's three-variable equations, comparing the results for three groups: HUD's original random sample of 41 larger cities, the 15 cities Tucker added, and all 56 cities combined. In this fashion we hoped to be able to determine if Tucker's results stemmed from his selective reduction of HUD's random sample of 41 cities to 35; his selective addition of 15 cities of his own choosing; or a combination of the two. The results of this analysis are presented in Table 2, which examines the effect of mean temperature and rent control on homelessness, and Table 3, which examines the effect of vacancy rate and rent control on homelessness.

Next, we did our own more comprehensive analysis, through a model that examines the combined effect of a larger number of variables on homelessness (Table 4). Tucker's highly simplified two- and three-variable equations are likely to omit other possible important determinants of homelessness, thereby producing erroneous results. To the variables Tucker considered singly or in pairs we have added median rents and the percentage of housing units that are renter-occupied. Median rents are an index of housing affordability. As previously noted, high rents might be expected both to contribute to home-
TABLE 2: The effect of rent control and temperature on the homelessness rate

<table>
<thead>
<tr>
<th>Variable</th>
<th>HUD sample (41 cities)</th>
<th>Tucker sample (15 cities)</th>
<th>Total sample (56 cities)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient</td>
<td>t-value</td>
<td>Coefficient</td>
</tr>
<tr>
<td>Rent control</td>
<td>4.42</td>
<td>2.93*</td>
<td>4.83</td>
</tr>
<tr>
<td>Mean temperature</td>
<td>0.10</td>
<td>1.47</td>
<td>0.02</td>
</tr>
<tr>
<td>(Constant)</td>
<td>-2.20</td>
<td></td>
<td>3.05</td>
</tr>
<tr>
<td>Adj R-square</td>
<td>.193</td>
<td></td>
<td>.297</td>
</tr>
</tbody>
</table>

a. Significance at p ≤ .01.
b. Significance at p ≤ .05.

In contrast, if one looks only at the 15 cities selectively added by Tucker (columns 3 and 4), one finds the reverse is true: rent control is one of the only variables that approaches significance, with rent-controlled cities averaging seven per thousand more homeless people than non-rent-controlled cities. Among these 15 cities, the three with rent control are among the four with the highest homeless rates (only St. Louis is reportedly higher). Finally, when we compare HUD’s randomly selected list with Tucker’s hand-picked list, we see that, among all 56 cities, rent control is not significantly associated with homelessness, although high temperatures, slower population growth, and higher percentages of renters are.

Even had Tucker’s data provided a strong positive connection between homelessness and rent control—and, as we have shown, they do not—such a result would have limited import. First, as noted, the dependent variable is a highly doubtful measure of homelessness. Second, results from this type of cross-section regression pertain not to the causes of homelessness but to its differential rate among cities—not always the same thing. For example, mean temperature proves to be more significantly connected with homelessness in the model we have tested (Table 4). It does not thereby follow that rising homelessness in the 1980s was one more (little-noted) consequence of the “greenhouse effect” or that national homelessness would be mitigated if aid to cities were tied to local initiatives aimed at lowering mean temperatures. Once the problem is posed in this way—what changes in the 1980s are responsible for the alarming growth in the problem of homelessness over the decade—the answers become clearer.

TABLE 3: The effect of rent control and vacancy rate on the homelessness rate

<table>
<thead>
<tr>
<th>Variable</th>
<th>HUD sample (41 cities)</th>
<th>Tucker sample (15 cities)</th>
<th>Total sample (56 cities)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient</td>
<td>t-value</td>
<td>Coefficient</td>
</tr>
<tr>
<td>Rent control</td>
<td>4.49</td>
<td>2.93*</td>
<td>6.00</td>
</tr>
<tr>
<td>Vacancy rate</td>
<td>-.28</td>
<td>-.90</td>
<td>0.57</td>
</tr>
<tr>
<td>(Constant)</td>
<td>5.41</td>
<td></td>
<td>-0.28</td>
</tr>
<tr>
<td>Adj R-square</td>
<td>.165</td>
<td></td>
<td>.501</td>
</tr>
</tbody>
</table>

a. Significance at p ≤ .01.
b. Significance at p ≤ .05.
TABLE 4: Analysis of the determinants of homelessness, utilizing a multivariate model

<table>
<thead>
<tr>
<th>Variable</th>
<th>HUD sample (41 cities)</th>
<th>Tucker sample (15 cities)</th>
<th>Total sample (56 cities)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient</td>
<td>t-value</td>
<td>Coefficient</td>
</tr>
<tr>
<td>Median rent</td>
<td>0.03</td>
<td>1.36</td>
<td>0.05</td>
</tr>
<tr>
<td>Poverty rate</td>
<td>-0.28</td>
<td>-1.27</td>
<td>-0.02</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>0.56</td>
<td>2.09*</td>
<td>0.46</td>
</tr>
<tr>
<td>Mean temperature</td>
<td>0.25</td>
<td>2.73*</td>
<td>0.08</td>
</tr>
<tr>
<td>Vacancy rate</td>
<td>-0.53</td>
<td>-1.91*</td>
<td>0.54</td>
</tr>
<tr>
<td>Population growth</td>
<td>-0.05</td>
<td>-1.56</td>
<td>-0.15</td>
</tr>
<tr>
<td>Percentage of renters</td>
<td>0.26</td>
<td>3.21*</td>
<td>-0.21</td>
</tr>
<tr>
<td>Rent controld</td>
<td>-1.88</td>
<td>-1.02</td>
<td>7.06</td>
</tr>
<tr>
<td>(Constant)</td>
<td>-26.56</td>
<td></td>
<td>-9.08</td>
</tr>
<tr>
<td>Adj R-square</td>
<td>.473</td>
<td></td>
<td>.428</td>
</tr>
</tbody>
</table>

a Significance at p ≤ .01.

b Significance at p ≤ .05.

c Significance at p ≤ .10.

d Coded 1 = rent control, 0 = no rent control (as in Tucker).

Why Do We Have a Homelessness Problem?

The United States now faces the worst housing crisis since the Great Depression. The underlying problem is a widening gap between what Americans can afford to pay and what it costs to build and operate housing. In this situation, the poor are the most vulnerable to joining the ranks of those without a home.

The number of poor Americans, now about 33 million people, is growing, and the poor are getting poorer (Center on Budget and Policy Priorities 1988, 1; Children's Defense Fund 1989, 16–26, 100–106, 115; U.S. Joint Economic Committee of Congress 1988, ch. VII). The largest increase is among the "working poor"—people who earn their poverty on the job because of low wages. Among the "welfare poor"—primarily single mothers and their children—Aid to Families with Dependent Children (AFDC) and other benefits have declined far below the poverty level. These are people who are only one rent increase, hospital stay, or layoff from becoming homeless. In fact, a recent report by the U.S. Conference of Mayors (1989, 2) found that almost one-quarter of the homeless work, but simply have wages too low to afford permanent housing.

The plight of the poor is worsened by the steadily rising housing costs that have plagued the economy throughout the past decade (see U.S. Comptroller General 1979 for an early announcement of the housing crisis). On one hand, rising homeownership costs have forced many would-be first-time buyers into the status of reluctant long-term renters, greatly increasing pressures on the rental housing market. Homeownership rates have been declining steadily since 1980, particularly among first-time homebuyers. Among households where the head was under 25, for example, ownership has declined from 23.4 percent to 15.1 percent of all households, a drop of 36 percent; for those headed by someone aged 25 to 34, the decline has been from 51.4 percent to 45.1 percent, or 12 percent (Apgar 1988, 24). In 1973, it took 23 percent of the median income of a young family with children to carry a new mortgage on an average-priced house. Today, it takes over half of a young family's income (Children's Defense Fund 1988, 57).

On the other hand, renters confront chronic production shortages and rising rents. Between 1970 and 1983 rents tripled, while renters' income only doubled. As a result the average rent-income ratio grew from roughly one-quarter to one-third; the proportion of tenants paying 25 percent or more income into rent increased from one-third to one-half. By 1985, close to one out of every four renters paid over half of their income for housing costs. Eleven million families now pay over one-third of income on rent; 5 million pay over half.

The problem is especially acute for the poor, who are now competing with the middle class for scarce apartments. It is estimated that by 1985 there was a national shortage of some 3.3 million affordable units for households earning under $5,000—an increase of more than 80 percent since 1978 (Leonard et al. 1989, 9). Among the nation's nearly 7 million poor renter households, 45 percent spent more than 70 percent of their income on housing in 1985: 65 percent paid more than half; while 85 percent—some 5.8 million households—paid more than the 30 percent officially regarded as "affordable" under current federal standards. The median tenant household paid almost two-thirds of its income on rent (Leonard et al. 1989, 1–2). The typical young single parent pays 81 percent of her meager income just to keep a roof over her children’s heads (Children's Defense Fund 1988, 59).

Despite the severity of these problems, less than one-third of poor households receive any kind of housing subsidy (Leonard et al. 1989, 27; U.S. Congressional Budget Office 1988, 3). This housing subsidy level is the lowest of any industrial nation in the world. Some 6 to 7 million low-income renter families receive no housing assistance whatsoever, and are therefore completely at
the mercy of housing markets that place them immediately at risk of being homeless. And, while the number of poor families has risen during the 1980s, the number of low-rent private apartments has plummeted as a result of rising rents, urban redevelopment activities, condo conversions, and arson. Between 1974 and 1985, the number of privately owned, unsubsidized apartments renting for less than $300 (measured in 1988 dollars) fell by one-third, a loss of nearly 3 million units (Appar et al. 1989, 4). The swelling waiting lists of even the most deteriorated subsidized housing projects are telling evidence of the desperation of the poor looking for affordable homes.

The already existing shortages of affordable private housing were worsened considerably by the short-sighted actions of the Reagan administration. The 1986 Tax Reform Act, for example, removed many of the tax benefits that previously made it profitable for the private sector to rent housing to poorer families.28 It is estimated that the loss of tax shelters for housing will eventually reduce the value of income property by 20 percent, forcing compensating rent increases of 25 percent by the early 1990s. The National Association of Home Builders predicted that rental housing construction would decline by half as a direct result (Furlong 1986, 16); an MIT market simulation predicted an eventual loss of 1.4 million units (Appar et al. 1985, 1).

The Reagan administration’s budget cutbacks virtually eviscerated publicly owned and subsidized housing, all but eliminating the already small federal commitment to providing housing for the poor. Not only were safety net programs cut in general, but housing was selected to bear the brunt of budgetary retrenchment. Between 1981 and 1989 federal expenditures for subsidized housing declined by four-fifths from $32 billion to $6 billion. Total federal housing starts declined from 183,000 in 1980 to 20,000 in 1989 (Low Income Housing Information Service 1989). The administration even proposed to sell off 100,000 units of public housing, an effort that was stymied largely because public housing tenants were too poor to afford their units. A number of specific programs, including several directed at the needs of the homeless, were “zeroed out” in the 1989 budget. It should be pointed out that, as severe as these measures may appear, President Reagan’s proposed cuts were still deeper: philosophically committed to ending federal involvement in housing altogether, he was prevented from doing so only by the lobbying efforts of low-income housing advocates before a Democrat-controlled Congress. A single statistic tells the story in unambiguous terms. When President Reagan came to office in 1981, the federal government spent seven dollars on defense for every dollar on housing. When he left office in 1989, the ratio of dollars spent was 46 to one.

In sum, declining incomes at the bottom have converged with rising housing costs to produce a potentially explosive situation, which unwise short-term federal policies have served to worsen. Rent control plays no role in this unfolding tragedy. According to one estimate (Clay 1987, i), by 2003 “the gap between the total low-rent housing supply (subsidized and unsubsidized) and households needing such housing is expected to grow to 7.8 million units,” representing an affordable housing loss for nearly 19 million people. This figure represents the probable constituency of the homeless, as the United States moves into the twenty-first century.

On its own, rent control can’t solve the housing crisis. It is merely one tool available to local governments for confronting skyrocketing rents and a shortage of affordable housing. Tucker’s study does not demonstrate what it sets out to do, and so cannot be used to justify a scapegoating of rent control for the mounting tragedy of homelessness.

**AUTHOR’S NOTE**

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**NOTES**

1. The effort to outlaw rent control on the grounds that it is destructive of housing markets long predates Tucker’s study. Landlord organizations have been lobbying state legislatures to ban rent control at least since 1972. In 1983, the President’s Commission on Housing called for federal legislation banning local rent controls (see also Downs 1983). The California State Legislature routinely considers legislation that would inhibit the ability of localities to enact rent control; a 1986 measure, for example, would have required all local rent control ordinances to provide for the decontrol of recently vacated units—a measure that would have significantly weakened the voter-adopted measures in Berkeley, Santa Monica, and West Hollywood. (It was eventually killed in committee; a similar measure was considered in 1989.)


3. Although restrictive rent controls are no longer enacted, many opponents of rent control continue to associate all current versions with this type.

4. The courts have repeatedly upheld rent control laws so long as they do not constitute an unfair “taking” of the landlord’s property. In 1988, for example, the U.S. Supreme Court ruled in *Pennell v. City of San Jose*, 108 S.Ct. 849 (1988), that the city could take tenants’ welfare into account in setting rent ceilings.
5. Santa Monica, Berkeley, and West Hollywood are the only rent control ordinances with which we are familiar that disallow refinancing costs.

6. In a recent and influential monograph, noted housing expert Anthony Downs reviews 21 studies of rent control, drawing the conclusion that “rent controls provide short-run benefits but have immense long-run disadvantages,” particularly when the controls are stringent (1988, 6). But this conclusion does not follow from his review; the studies he discusses—some of which were highly partisan—produced highly ambivalent results. Downs cites Tucker in concluding that rent controls are “damaging to some of the very low-income renters they are supposed to protect. They may even promote homelessness—the most severe of all low-income housing problems” (1988, 40).

7. HUD (1989) has since completed a second survey of shelter operators across the country, and the Urban Institute (1989) has conducted a study of prepared meals for the homeless in a sample of cities. The original HUD study and these two recent surveys are the only available systematic studies of homelessness in a random sample of places.

8. Oddly, Tucker claims that he eliminated only five cities, incorrectly naming Grand Rapids as one, while failing to mention Raleigh and Baton Rouge (1989a, 5, n. 4).

9. This reasoning is poor, since local vacancy data are readily available from utility companies, local governments, real estate organizations, and the Census.

10. See the table in Tucker 1987a, 35—reproduced as an appendix to Tucker 1989a—for a complete listing of Tucker’s cities.

11. Tucker’s claim (1989a, 5, n. 4) that these places were added “using similar methods” (to HUD’s) apparently contradicts his earlier contention (1987a, 1) that the 15 other cities were chosen “to include some notable HUD omissions.” The selective addition of cities to HUD’s sample undermines the original sampling procedure.


13. Public housing availability is measured as the number of public housing units in a locality; it therefore does not take into account the number of people waiting to get into public housing, and so is a highly imprecise measure of alternatives to homelessness, particularly given the enormous waiting lists for public housing in most cities—in some cases, more than five years. It is more likely that the relative size of the public housing stock is an index of local poverty or low-income housing shortages.

14. In fact, there is evidence that average vacancy rates are not a true measure of rental housing scarcity, especially for particular sub-markets (see Gilderbloom and Appelbaum 1988, ch. 5; Appgar 1988, 9–11).

15. Regression analysis is a statistical method for estimating the effect of a number of causal variables on a single dependent variable—in this case, the rate of homelessness. It enables the researcher to measure the independent effect of each variable in the equation while holding constant the effects of the others. Tucker apparently ran only two- and three-variable regressions, using various combinations of his independent variables. As far as can be determined from his published reports, he never incorporated all of his variables into a single equation.

16. In his original study (1987a, 2), Tucker found that in simple two-variable correlations, poverty accounted for 5 percent of the variation in homelessness, unemployment accounted for 2 percent, public housing was negligible (although the relationship was “slightly positive”), city size and temperature were not significant. vacancy rate accounted for 15 percent, and rent control represented 27 percent. In his three-variable equations, when temperature and rent control were regressed together on homelessness, temperature became significant, now accounting for 4 percent of the variation in homelessness; when rent control and vacancy were regressed together on homelessness, vacancy lost its significance. In the 1989a report on the same data (p. 6), however, the results are somewhat different. Public housing and city size remained nonsignificant, while unemployment and poverty lost their initial significance. Temperature was now found to be significant; growth slightly so (the actual relationship was found to be negative). The rent control and vacancy effects remained the same. No explanations are offered for these differing results, presumably obtained from the same data analysis.

17. The actual number is 8, since, as we have noted, Hartford was incorrectly classified as having rent control. Among the original HUD cities, San Francisco, Los Angeles, Washington, Boston, and New York have rent control; among the 15 Tucker added, Santa Monica, Newark, and Yonkers have rent control.

18. For detailed analyses of the shortcomings of the HUD study, see Appelbaum 1984, 1985, and 1990a. Recall that Tucker relied on HUD’s data for 35 cities, while presumably replicating HUD’s methodology for the remaining 15.

19. Tucker was aware of the problems with HUD’s measure, but argued that any inaccuracies would be randomly distributed across cities. He offers no evidence for this assertion (1989a, 4–5).

20. We are here reclassifying Hartford as a non-rent-controlled city; see discussion in the text.

21. The conclusions of another recent re-analysis of Tucker’s data (Quigley 1989) confirm our own.

22. Data were first verified in the County and City Data Book (U.S. Department of Commerce 1983).

23. Since Tucker had included Lincoln, Nebraska, among the cities he selected from HUD’s medium- and large-sized cities, we did likewise, although
technically Lincoln belongs in HUD’s small city sample. The inclusion of Lincoln did not alter the results.

24. Since public housing and poverty are highly correlated (r = .77), including both in the same equation would have created multicollinearity problems. We therefore ran two complete sets of equations, the first including poverty among the independent variables (reported here), the second including public housing. The latter equations did not produce significantly different results from the former, and did not affect the final conclusions: they are therefore not reported in the present study.

25. We first ran the equation with all variables, then eliminated population size, since it was highly correlated with rent control (r = .7). resulting in problems of multicollinearity.

26. In fact, although not statistically significant, homelessness and rent control are negatively associated; i.e., rent-controlled cities have slightly lower rates of homelessness.

27. It is difficult to obtain statistically significant relationships in so small a sample size.

28. These losses were partially offset by the low-income housing tax credit, which temporarily retains some tax incentives for low-income housing.

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