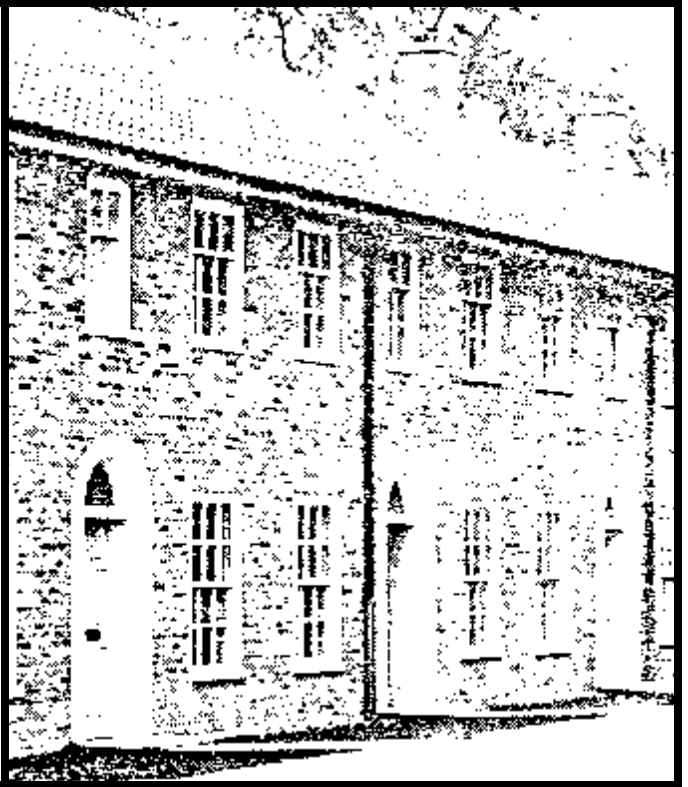
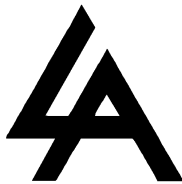


ANOTHER ATTACK ON THE RENT ACTS

BRIAN
MICKLETHWAIT



Pondering the Libertarian Alliance's Publications List, I see that despite around ten years of busy pamphleteering, we still (as of the summer of 1991) don't have anything specifically devoted to the wickedness of the Rent Acts. There are plenty of incidental swipes at the Rent Acts in publications devoted to related matters, but nothing particularly targeted at this one grotesque evil. What you are, I hope, about to read is not going to be the last word on the subject, complete with every possible reference and every imaginable argument against the Rent Acts. I will merely add my written loathing of the Rent Acts and of the ignorance and malevolence which even now causes their influence to persist, to the mountain of denunciation which already exists and to the many more anti-Rent Acts screeds which will need to be written in the future.

"FAIR" AND "SECURE"

There are two notions embedded in the Rent Acts. One, they enforce a "fair" as opposed to a market price for rented accommodation. Two, they enforce "security of tenure" for tenants. So if you're thinking about being a landlord, you are likely, one, not to get the price you want for your services, and two, to be obliged to go on accepting the far smaller price that the government decides is proper for your services, indefinitely.

Here's what happens to landlords now, described by Sandra Barwick in a recent *Spectator* article.¹

I have a friend who lives in a house owned by a family trust in Holland Park. Her grandfather met an old friend in his

club one day who said his godson had just come to London and was desperate for a room. 'He's welcome to move in, but one of my grandchildren will be wanting to move in fairly soon, so I'm afraid it can only be temporary,' said my friend's grandfather. Five years later, despite many pleas, the godchild is still established on the ground floor. The market rent for a one-bedroom flat in the area is around £170 a week. The godchild is a 35-year-old accountant in the City: he pays £20 a week 'fair rent', and he can stay for the rest of his life.

I had a friend ten years ago who had inherited a house in the Midlands. She let it to students as bedsits. One of the students went to the rent officer and had the rent reduced. As a direct result, that summer my friend sold the house and invested the money instead.

I had a friend who was a resting actor, who tenanted a ground floor flat in south London for a very small 'fair rent'. He would have liked to move elsewhere, but he didn't because he knew he was not wanted. Eventually the landlord paid him £60,000 to leave.

The Rent Acts make a mockery of the very idea of property, for they create what amounts to a property right for tenants, in buildings which they do next to nothing to pay for. The only thing that makes the Rent Acts different from straightforward thieving is that you don't *have* to become a landlord. If you already *are* one and you are stuck with one of these parasites, then that's it, your life is

Political Notes No. 60

ISSN 0267-7059 ISBN 1 85637 043 7

An occasional publication of the Libertarian Alliance, 25 Chapter Chambers, Esterbrooke Street, London SW1P 4NN
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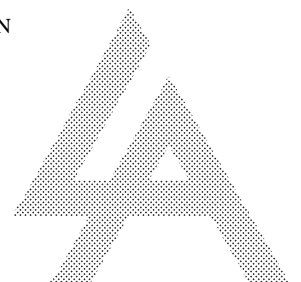
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FOR LIFE, LIBERTY AND PROPERTY



ruined. But if are *not* a landlord, then you are not legally compelled to become one.

Not surprisingly, most people choose *not* to become landlords, and there is a consequent crippling shortage of rented accommodation, especially cheap accommodation. The evil results of the Rent Acts are a textbook example of what happens when the price of something - anything - is held below the price at which the market will clear. Supply dries up. Unsatisfied demand grows and grows. In fact, I distinctly recall the Rent Acts being used as an example of just such elementary economic principles when I was an undergraduate in the early seventies. In other words the Rent Acts have been a *literal* textbook example of economic illiteracy for at least the last quarter of a century.

THE ATTITUDES OF THE POLITICIANS

Why then do the Rent Acts persist?

The general climate of political opinion about the matter is of great importance. The mere state of the law at any particular moment is only half the story. It so happens that the Rent Acts have recently been eased somewhat, by the 1988 Housing Act. Under this act, already 'protected' tenancies remain in place, but new tenancies for short periods can now be arranged in an economically sane manner. In practice what this means is that long tenancies can also now make sense, by the simple expedient of laying short tenancies end to end.

But what if the Labour Party wins the next election, and retrospectively decides that all those who since 1988 had short term, economically rational tenancies, are from then on entitled to long term, economically mad tenancies, such as happens now, still, with 'protected' tenancies? This surmise may be a wild exaggeration. Maybe all Labour will do is put a stop to new 'unprotected' tenancies, but allow existing ones to run their course. But what if they made a particular effort to punish any landlords who had dared to defy their wishes between 1988 and 1992, or whenever? What if they encourage all tenants during that previous period to hunt down their old landlords and drag them in front of Rent Tribunals and make them surrender their property, out of sheer hostility to the free market and all its works? Most potential landlords just are not prepared to take such a risk.

On the other hand, if the Labour Party were to start making sensible noises about the Rent Acts, that would undoubtedly reassure many potential landlords and encourage them to take advantage of the new post-1988 arrangements. It would also encourage existing landlords to become landlords on a much bigger scale.

Sandra Barwick goes on to say of the Labour Party that:

... it does not consider that the old Rent Acts, which held down rents and gave tenants security of tenure, discouraged people from letting.

Nor does it believe that the 1988 Housing Act, which made it possible to let property for short periods at market rents and get the property back at the end, has meant that more homes are being let.²

I do not believe this. I think that the Labour Party's spokesmen are only too well aware of what a triumphant success an unfettered market in rented accommodation would quite rapidly become, especially for all the Labour voters who would consequently be able to live somewhere more reasonable, and what a disaster such a market would be for their own alternative policies of government intervention, indeed for their entire political world view. The failure of state funded housing has already been a catastrophe for Labour. If capitalism were now to succeed in this same sacred territory, that would be another disaster for Labour of at least equal magnitude. They are determined to prevent capitalism from doing its stuff in cheap housing by all means at their disposal, which include threatening disaster to all capitalists who dare to defy their wishes while they are in opposition. Even as they do all that they can to wreck the market in rented accommodation they blame the market for the consequences of their vandalism. In

other words Labour Party policy on housing is not merely stupid. It is downright evil.

Not that the Conservatives are blameless. Far from it. The Conservative obsession with creating a "property owning democracy", that is, of obliging absolutely everybody to "own" houses, regardless of whether this makes any economic sense, has been almost as harmful as the attitude of the Labour Party. Their two principle techniques for achieving Britain's wildly anomalous levels of house "ownership" are, one, tax incentives to all who borrow money to buy houses, and two, an almost deafening silence on the subject of anyone renting somewhere instead. It is only the fact that a doctrinaire minority of free marketeers within their ranks have demanded it that the Conservatives have done anything at all about the scandal of the Rent Acts, and even that change took nearly a decade to be achieved.

The only serious defence of the Conservative house owning obsession is that as a result of it, landlords will no longer be considered by the electorate to be evil space aliens with smoke coming out of their ears. The electorate *are* the landlords, now, potentially. Will they continue indefinitely to forbid themselves to charge a profitable rent to tenants or to expel them if they misbehave?

THE RATIONAL IGNORANCE OF PEOPLE LIKE ME

One of the conventions of pamphleering on 'policy issues' these days is that one must do lots of 'research' and lay out all the 'facts' of whatever is the issue at hand.³ While writing this piece I did get a couple of books out of the library on landlords, tenants etc., but the point I want to make here is precisely that I am ignorant of the details the laws on this subject, and intend to remain so. I am myself a fairly typical potential landlord. Thanks to the industry, thrift, luck and generosity of my ancestors I already have a property. Were renting a sane option, I might well get a bigger property and rent some of it out. As it is, there is every chance that I will at some stage acquire a bigger property but *not* rent any of it out. I *am* the housing shortage, you might say. I am only one of millions who think like this on this subject. The rational ignorance of people like me, far from being something that I personally need to apologise for, is the very essence of the problem that I am describing.

MORALITY TURNED ON ITS HEAD

Just as the Rent Acts are *caused* by wickedness, so too is wickedness one of their most characteristic consequences. It is a familiar point, made in every tract against the Rent Acts I've ever read, that the phenomenon which we in Britain call "Rachmanism", after a freelance provider of legal services by the name of Rachman, is not the result of a free market but of government intervention. Given that the government is unwilling to uphold property rights, it should be no surprise that rival gangsters set up in business to uphold such rights, and that 'secure' tenants who encounter these ruffians then discover that they are not so secure after all. Instead of paying £60,000 to their tenants to get out, in other words, landlords are understandably tempted to pay a somewhat lesser sum to Rachman plc.

More generally, what the government does by making rented accommodation, in effect, illegal, is to turn conventional morality on its head. Whereas in normal, legalised life, goodness is, on the whole, rewarded and badness punished, in the rented accommodation market it is the other way around. If you are a tenant with some semblance of decency, you will be inclined to honour whatever agreements you have made, however little the government may choose to encourage you. But the temptation is all in the other direction. The more shamelessly a tenant behaves, the more lavishly he will be rewarded. In such circumstances, even those normally inclined to decency are liable to descend to a level of sheer nastiness that may astound and appall them more than anybody else.

Faced with such brazen effrontery, often from those who would in no other circumstances dream of behaving so badly, comparably decent landlords likewise sink into another pit of nastiness, in sheer self defence, just to get the thieving, lying parasites out of their property.

For all who are trapped in such a relationship, it is a classic “prisoner’s dilemma”, in which all the rewards go to whoever resorts first and most thoroughly to barefaced wickedness.

In the days before the Rent Acts, in the Victorian era, the rented housing market was a powerful force *in favour* of people behaving themselves. The basic rule then was that landlords could chuck out their tenants whenever they felt inclined, unless there was a contract saying otherwise. Tenants had a powerful incentive, therefore, *not* to misbehave.⁴ But exactly the same applied to landlords, because the unimpeded market in rented accommodation meant that well behaved tenants cursed with nasty landlords had plenty of alternatives to hand. Free markets, unhindered by governmental derangement, are happy, contented and above all *polite* places, despite the fact that many of the products on sale are, to some, very shoddy, and many of the prices being asked are, to some, far too high. Simply, people only buy what they are happy to buy. All remains friendly. Just this atmosphere would now pervade a free market in rented accommodation, were it only allowed.

STACK-A-TRAMP

It is no exaggeration to say that one of the greatest disappointments of the twentieth century is that, despite all the advanced technology that has worked so much magic in other areas of human endeavour, housing has remained so retarded, most especially housing for the very poor. Worse, the more keenly designers have sought technologically induced improvements in their “machines for living” the more horrific have been the results. How different things might have been if rented “slums”, instead of being outlawed, and then flattened and replaced by government slums which turned out to be even worse, had instead been allowed to evolve and improve in the manner of other twentieth century artefacts sold for profit by grasping twentieth century tradesmen. As a result of this contrast, we now have very poor people who contentedly listen to wonderful miniaturised musical gadgets, happily consuming cheap drugs, and kept warm by splendid super-blankets made from advanced artificial fibres. But instead of living in homes made with a skill and inventiveness similar to that which went into these other devices, they actually *live* on pavements, in the open air.

More important by far is the fact that the life of a late twentieth century tramp might, without the Rent Acts, become something one could gradually escape from. As it is, any of our tramps who want to stop being tramps face a completely impossible combination of completely impossible tasks, all of which must be accomplished first before any of the others can be. In order to get a job they must have an address, but in order to afford an address, they have to have a job. To do either they have already to have cleaned themselves up, presumably by stripping themselves naked when next it rains. What tramps with social aspirations need is a thriving market in lousy jobs for next to no money, and a similar market in lousy homes. (This arrangement used, incidentally, to be called “Hong Kong”, but Hong Kong is now so rich and luxurious that we must now find another name for it.)

Seriously: real old fashioned slums. Stack-a-tramp. Cardboard City with a communal shower, a roof, and an address. As it is, between Cardboard City as we now know it and a thirty thousand pound mortgage in an area of low but just about gettable employment there is damn near nothing.

WHEN THE RENTS ACTS MAY BE REPEALED

In their IEA Hobart Paperback *The Housing Morass*,⁵ Patrick Minford, Michael Peel and Paul Ashton wrote about how the government had an opportunity to get rid of the Rent Acts and

thereby free up the rented housing market. Minford is an economist with a particular interest in unemployment, and so it was no surprise that he, Peel and Ashton focussed especially on the way that an insufficiency of rented housing exacerbates that problem also. But one of the big political discoveries of recent years is how ready the electorate is to tolerate the extreme misfortunes of minorities, most notably that minority which has been unemployed. Politicians don’t generally respond to mere “opportunities”. It takes a *crisis* to get them to make big changes. As we’ve seen there have been steps in the right direction by the present Conservative government, but the notion that really bad, really cheap housing provided by sordid Dickensian entrepreneurs would be downright *desirable* still seems light years away from being generally accepted.

But this circumstance may change in not too many years, because a crisis now looms in which nasty choices will have to be made, and one of those choices will probably be a radical change of policy on rented housing. I refer to the crisis of welfare provision.

All ruling elites must learn that trying to abolish poverty by merely giving poor people money is a policy that will eventually fail. This is because of the so-called “moral hazard” effect. Paying people *because* they are poor and unfortunate is, in terms of actions taken, indistinguishable from paying people *to be* poor and unfortunate. Welfare makes government into a huge and immensely wealthy customer for the services of professional paupers. The government may not *want* to “employ” paupers, but if it *did* want to do this, *its actions would be identical to those it now takes*. Those with respectable, well paid jobs are not tempted by the low pauper’s wages that the government offers, but many people do not have respectable, well paid jobs, and to lots of them the package offered by the government is an acceptable arrangement, especially when you consider that the taxes to pay the paupers must come from the wages paid by more frugal and orthodox employers, which drives yet more of the marginally employable into pauperism. Welfare relieves the poverty of those already poor, but it also creates a vast new army of poor people whose poverty then creates massive new demands on government revenue. The job of distinguishing between the “deserving” poor, and those for whom poverty is nearer to being a vocation than an affliction is beyond the government’s officials to perform satisfactorily, but yet more expense is incurred making the futile attempt.

In Britain, it is the voters who are now the sovereign and like all previous sovereigns of a benevolent but economically unschooled disposition they must learn these ancient and bitter lessons. The British mass electorate is the richest and most generous sovereign that has ever reigned in the whole of British history, so a long delay in their enlightenment was inevitable, given that vast wealth insulates you from reality if you are in a mood to be insulated from it. But the collective monarch is now very close to completing its education in this grim subject. Our present Conservative government never tires of boasting that “social” spending has not gone down in recent years, but up, and the Labour opposition never tires of telling us that poverty is getting worse and not better. How can this be? Which of them is lying? Neither. Both are telling the truth. The more you pay for paupers, the more paupers you get, the more pauperised the paupers become, and the less it takes for each of them to accept the deal. Paradoxically, at the time when poor relief in total has never been greater, poor relief for each individual pauper is being squeezed relentlessly, hence all the beggars on the streets. Soon a huge decision of principle will be faced by the electorate. Does the electorate take a deep breath and pay out yet more money to the unprecedentedly vast new army of paupers, or does it finally decide that these payments are not the solution but the problem?

For the time being, the electorate seems inclined to have one last go at buying their way out of the welfare mess. But in not very many years time this policy will not only have failed dismally but be seen to have failed. Sooner or later, the very finances of the country will start to be threatened, as worse money is thrown in

ever greater quantities after bad. At that point, the electorate will have to choose between continuing to pay paupers to be poor at a “decent” level and thereby wrecking the country’s finances and hence also *wrecking their own standard of living*, or deciding - to hell with it - that something else will have to be tried. Guess which they’ll choose.

If welfare was actually putting an end to poverty, then I think that Mr and Mrs Britain might be prepared to provide it in pretty large amounts, but it isn’t. Sooner or later, respectable folk will understand that it is both their duty and in their interest to find another way of handling things. The combined force of duty and interest will be irresistible.

EXPECT SUDDEN AND RADICAL CHANGES

At that point, it won’t be enough *merely* to slash welfare payments. When a decade ago Mrs Thatcher closed down Britain’s “industrial welfare state” and threw millions onto the dole, she had to present some kind of plausible alternative to industrial poor relief, hence her “enterprise culture”. When the dole itself comes to an end, there will have to be a corresponding change of tune on the whole idea of how poverty is relieved.

If poor people are no longer to get any government money, where *are* they supposed to get money? Expect a major government attempt to free up the market in frightful jobs. If the poor are to get no more government roofs over their heads, who else will supply this service? Expect, quite suddenly, much talk about deregulating the market in crap-awful housing. The excuse for banning bad housing used to be that because of government welfare, *nobody* needs to live like that. Now, because of the inescapably obvious consequences of that same government welfare, millions *will* need to. It will quite suddenly be realised that the only alternative to allowing poor people to get scummy jobs from disgusting capitalist exploiters and renting hideous slum dwellings from ruthless landlords will be to bundle all the paupers into lorries and dump them in rural death camps. Once again, I am pretty confident of what the electorate will decide. Call me a starry eyed sentimentalist, but I really do believe that Mr and Mrs Average will choose deregulation of the labour market and of the rented housing market, rather than mass murder. But, in its capacity as mass landlord the collective monarch will insist on being allowed to sling out those tenants who fail to learn the rules of the new game and who continue to be barbaric, lawless and mannerless parasites.

MORE RESEARCH IS NEEDED

Provided, as I say, we all keep writing tracts like this one, so that at the critical moment the politicians are aware that deregulating the labour and rented housing markets is a real policy option, and that it would do some real, rapid good. I hope that other LA scribes of a more fact-chasing temperament than me will pile in with other writings denouncing the Rent Acts, with detailed descriptions of such things as how it all started, which exact laws caused all the horrors, how temporary they were going to be when they were first introduced, which particular buffoons were most in favour of them and what the immediate consequences were. Let their be a hurricane of International Comparisons, Policy Options and Inevitable Conclusions, to the effect that the Rent Acts should be abolished, and that hanging, drawing and quartering should be reintroduced for anyone who dares to say anything in public in favour of them.

Someone should also take a swipe at that evil little enterprise “Shelter”, which, if my suspicions are correct, (a) organises slums, thereby doing a small amount of good, and (b) opposes all attempts to allow more competent and capitalistic types to muscle in on this same market, thereby doing a large amount of harm.

The Liberal Democrats might also be worth looking at. (Shelter was started by the notorious Des Wilson, who now divides his time between being an LD apparachik and being a health fascist.) The LDs being a “centre” party, not undescended from the old

Liberal Party, it presumably contains frenzied enthusiasts both for and against the Rent Acts, so denunciations and pats-on-the-back could be awarded accordingly.

And, for reasons I have explained, banging away in more detail at Labour Party opinions on this topic is also well worth doing, despite the apparent uselessness of trying to knock sense into these people. Labour opinions are, as I say, important, even if Labour stays in opposition. Labour politicians may one day soon, just like the rest of us, be offering their answers to a question that will have radically changed, at which point even they - much to their own horror - might be willing to change their answer.

I remember reading somewhere that Beethoven moved house about fifty or sixty times in his somewhat shortened life, which would strongly suggest a much better rented housing market in his place and his time than we have in our place in our time. And I also recall reading that a hundred years ago, British citizens used to move house in an almost equally impulsive manner. What would happen is that they’d decide that they were fed up with where they were living, so they’d pile all their possessions onto a cart, and - get this - go *looking* for somewhere else. That’s right. *They’d load the cart up before they’d even found a new place.* Can you believe that? Well, probably you can’t, given that I’ve quoted no eye witness account of any such event. But if my memory is not playing tricks on me, and reasonably persuasive accounts of such wonders do exist, then someone should nail them down in another LA pamphlet.⁶

But mostly what the world needs is just more and more attacks on the Rent Acts, and more and more defences of free market rented housing, done by everyone who can, using whatever little bit of the argument each scribe happens to be familiar with, until, helped by the ongoing welfare crisis, a great landslide of public sentiment occurs after which no thought of defending the old Rent Acts can any longer be publicly expressed without a shower of raspberries from the overwhelming and overwhelmingly enlightened majority. When that happens, we’ll have our free market in places to live. All ‘secured tenancies’ will be bought out, either with cash or with a share of the property in question, or else simply abolished, depending on the political luck of the draw. Slum landlords will become respected members of society, and slum dwellers, rewarded for being good and punished for being bad, will likewise start to evolve towards respectability, in the opposite evolutionary direction to what is happening now. Home-owners will be able to share their homes with whoever they like, and turf their tenants out if they decide that they don’t any longer like the colour of their eyes. Thus or for any other reason ejected, tenants will contentedly take a stroll around the neighbourhood and find somewhere else to live, probably somewhere better. This is how it used to be, and this is how it could be again. Teams of Japanese housing experts will visit our fair land in relays to find out how on earth we do it, and we will all live happily ever after.

NOTES

1. Sandra Barwick, ‘Neither Borrower Nor Lender’, *Spectator*, 30 March 1991, p. 15. Strange title, good piece.
2. *Ibid.*, p. 16.
3. See my *The Tyranny of The Facts*, Libertarian Alliance, Tactical Notes No. 7, London, 1990.
4. See Charles Murray, ‘How To Win The War on Drugs’, in *The Crisis in Drug Prohibition*, David Boaz, ed., Cato Institute, Washington, 1990. Murray goes along with drug decriminalisation, but only if it is accompanied by a free market in cheap housing and cheap jobs, thereby recreating the informal social pressures that used to keep poor people honest and non-predatory. Only then, he says, will drug abuse of the sort that is hurtful to others be curbed. I agree.
5. Patrick Minford, Michael Peel, Paul Ashton, *The Housing Morass: Regulation, Immobility and Unemployment*, IEA, London, 1987.
6. Like Sean Gabb, along the lines of his *What To Do About Aids*, Pamphlet No. 12, Libertarian Alliance, London, 1990.