

While the rest of the world is removing controls the Western Australian Government is introducing a form of tenancy control. I have no doubt that the State cabinet is engaged in straight-forward vote-buying---there are more tenants than landlords. Potential tenants, who would occupy the buildings which remain unbuilt or not repaired because of the new law, will never know what they are missing.

The Minister, Mr Wilson, who matches a soft heart with a soft head, may believe he is helping the poor. He should study the readily-available evidence of failure of similar attempts in the past. I recommend 'Rent Control', edited by Robert Albon and published by the Centre for Independent Studies, 275 Pacific Highway, St Leonards, NSW, to him.

The most valuable investments offer their owners the highest income (after tax), the greatest certainty of maintained value, and greatest flexibility in disposal of the asset and its earnings. These attributes are property rights. If any of them is impaired the asset has less value.

Legislation which reduces an owner's rights to raise rents or evict tenants, for whatever reason, reduces the attractiveness of the investment. He turns to other investments. That in turn reduces the supply and raises the price of rental accommodation. It becomes less attractive to build new tenements and less attractive to improve and repair existing tenements. If rents cannot be raised or bad tenants evicted the only way an owner has to improve the rate of return on his investment is run the capital value down. It is worth repeating that this is not merely economic theory but something that has happened in practice all over the world where rent control has been applied.

Laws which make it difficult to evict are particularly hard on groups such as aborigines which are perceived to be bad tenants. To protect their property owners find ways of not allowing them in. Families which have excellent records are classified with the group and those who wish to break with the past are not given the chance.

When tenancy laws are enacted the reason usually cited is to help poor tenants, but the 1975-76 Australian Bureau of Statistics household expenditure survey shows only slight tendency for renters to be concentrated among low-income households. Tenants vary from the extremely poor to the extremely rich.

Percentage of Households

Weekly Household Income

Nature of Housing Occupancy	Under \$80	\$80--139	\$140--199	\$200--259	\$260--339	Over 340	All Households
Rented	31	38	34	28	31	18	30
Owner (purchasing)	8	24	38	46	48	54	37
Owner (outright)	61	38	28	26	21	28	33
No. of households ('000)	651.5	599.4	810.9	673.8	686.2	737.7	4159.5

A 1951 American study by Dr. Gale Johnson shows that landlords' incomes are also distributed almost equally between high and low income groups. (Most of the private landlords I know are widows.)

In April 1906 an earthquake destroyed more than half the housing in San Francisco. Many left the city but two Economics Nobel Prize-winners, Milton Friedman and George Stigler, estimate that the remaining buildings had to shelter 40% more people than before the quake. 'The San Francisco Chronical' did not mention a housing shortage and the advertisements it carried showed that there was not a shortage. Forty years later (1946) the 'Chronical' reported the Californian Governor as listing a housing shortage as 'the most serious problem facing California'. This time the advertisements showed that indeed there was a shortage.

Friedman and Stigler point out that while a free market ensured that the available space was efficiently used in 1906, in 1946 it was wasted because of tenancy laws. In the event the available housing was rationed by chance and favouritism.

Many authors have written of the evils of rent and eviction controls. New York's appalling slums and thousands of homeless have been attributed by some to tenancy laws which encourage landlords with loss-making buildings to hire arsonists. Among the many stories of New York housing laws is that reported recently in 'The American Spectator' of an 85-year-old black landlord, Elzie Robinson, who was jailed for failing to provide not tenants but **squatters** with services. When the landlord business carries incentives like that, is it any wonder there are thousands sleeping on the streets?

The table also has important implications for the regulation of housing interest rates. Following the Campbell Committee report, in spite of a change of government, almost all financial market controls have been removed. Housing interest rates are the one important surviving control.

In March last year the 13.5% ceiling was repealed for new loans. The ceiling on loans negotiated before then remains but gradually all regulated interest rates are going.

The table shows that the households most likely to be buying houses on credit and benefiting from interest rate regulation are those with the highest incomes. This should not surprise us: families with high incomes buy houses and people buying houses need high incomes---often achieved by wives working and by working overtime.

Regulated interest rates subsidise these people at the cost of lenders, other home buyers and renters. The Campbell Committee Inquiry into the Australian Financial System reported: '...interest rate controls are an inefficient and ineffective means of assisting low-income potential home buyers. They have regressive distributional consequences, harming many they are intended to benefit, and benefiting many who do not require assistance.

'In short, they can be said to be counter-productive in achieving their welfare objectives, while hurting the community at large by impairing the efficiency of the financial system...

Forty five percent of the adult population in 1979-80 were on incomes less than \$185 a week and they got 3.6% of the cheap money. Nineteen percent of the adult population had incomes above \$385 and they got 49% of the cheap money. Low interest rates reduced the supply of housing funds which were rationed to people with good credit ratings. Poorer people who might have borrowed from banks made do with hire purchase.

Interest regulation is regressive in its effect on depositors too. The people who lend money at artificially low rates to savings banks tend not to have much to lend. On average, people with home loans have higher incomes than the people who fund them.

We would expect financial deregulation to have the support of the bleeding hearts in all parties. Not on your Nellie; home buyers are notoriously fickle voters. That is why existing mortgages were not effected. It was the building industry and its unions which changed the policy.

One of the reasons clamour arose last year for tenancy control is that the poorer would-be purchasers had been forced by interest rate restrictions onto the rental market. This drove up rents and gave landlords the opportunity to evict

'unsatisfactory' tenants. Now, as Mr Keating deregulates the cost of home purchase, Mr Wilson regulates the rental home market. It will not work.