

Letter to the Editor: Is Government to Blame for the Housing Problem?

by David Williams, Apartment Owner

I would like to comment on the Register's article in the 10/4/06 Marketplace section, titled "Renters Stretched Thinnest". The article seems to suggest that renters need protection from ever-increasing rents; one interviewee in the article even asked that politicians actively do something about this.

Assuming that many readers believe that government actions such as rent control are the answer, many of the driving causes behind the housing affordability issue need to be disclosed before a clear understanding can be had. The article states that many factors have contributed to the lack of affordability of rental housing. These include:

1. The higher rents needed to cover the higher purchase prices of the rental properties
2. The increased operating costs of the property
3. The general population increase and the pressure it puts on the housing supply
4. The demise of the manufacturing backbone and the middle class jobs it creates and supports
5. The lack of real wage growth

Each of these driving forces is in fact created by governmental action, explained as follows:

1. The Fed has created an easy-money environment, with the preferred asset class for lending being residential real estate. The Fed has effectively driven up the cost of homes and apartments by providing super cheap money which bids up the prices and creates an escalating speculative investing environment, and therefore drives the need for increased rents to cover the higher purchase prices and higher property taxes.
2. Again, the expansion of the money supply is an artificial phenomenon, and results in the classic case of too much money chasing too few goods; hence the prices of water, trash service, utilities, repairs, supplies, insurance and maintenance have all increased accordingly due to the Fed's action, just like the price increases we see at the supermarket and the hardware store every week.
3. The general population increase is mostly a result of increased immigration (legal and illegal) into the U.S. This is again a government driven issue, where the increased immigrant quotas and our "open" borders will obviously create a population surge that means more people are crowding our towns and cities.
4. The passage of NAFTA, MFN status for China, and the SPP (as well as the coming FTAA) have all very directly caused the collapse of our manufacturing base. The federal government gave a blank check to corporations and governmental agencies to outsource manufacturing and service functions to the low bidder almost anywhere in the world, causing a mass exodus of middle class jobs from the U.S.

5. The lack of real wage growth is again a government-driven failure in the form of downward wage pressure created by the huge flux of cheap immigrant labor, and the outsourcing of jobs as already mentioned.

In summary, governmental action has created all of the large-scale pressures which result in the lack of housing affordability described in the Register article, and to see that some people actually believe that the only way out of this perceived problem is to enact more governmental action is nothing short of dismaying. If these same people want to have rent control or other government programs to “help” them, then I would encourage them to move to L.A., where the “miracle” of rent stabilization has helped to degrade and erode that once-fine city to a sorry state.

When you strive to create a low-rent city, you will surely get it- and more of it than you ever hoped for. As many of us know, that truly great American, Barry Goldwater, understood very well the problems created by a large and self-serving government, and how it tends to grow its own power while feeding on the individual. He summed up this problem so perfectly in one of his quips, “the government that can give you everything is the very same government that will take everything.” *David Williams, Newport Beach*